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# INDUSTRIAL PEACE.

VOLUME XV.

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No. I.

# **SEPTEMBER**

MCMXXIV



“The hope of democracy is the wise training  
of democrats.”



# INDUSTRIAL PEACE

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# INDUSTRIAL PEACE

## ECONOMY IN DISTRIBUTION.

DIFFICULTIES which are clearly insurmountable create despair and destroy all incentive to effort. We declare ourselves bankrupt in their presence. But there are other difficulties which act as a spur to action. We feel that they can be overcome, and that feeling even creates a desire to show that our estimate of the situation is true. Nature is sometimes so bountiful that her influence is enervating, at other times she exercises a bracing influence. Economic progress is in considerable measure due to the obstacles which nature has placed in our path. The coal industry provides an excellent illustration of the truth of this statement. The coal measures of this country are richer and lie nearer the surface than those of Germany. What has been the result? We have used our coal extravagantly in open grates, and wasted the valuable volatile matter which it contains. The Germans, on the other hand, have husbanded their resources. For many years they have converted the lower grades of coal (such as we throw on the tip), into briquettes for use in their stoves; they have subjected other grades to the process of slow carbonisation, and converted the volatile matter into its valuable constituents and thereby laid the foundation of a chemical and dyeing industry which, before the war, was the admiration and envy of the world. Again, we were first in the field of manufacture and for a great part of the nineteenth century held a partial monopoly of the markets of the world. When the ambitions of the Germans were aroused they realised that a severe struggle lay ahead and that if they were to succeed they would require to show evidence of superiority at some point or other. In technical equipment we had a clear lead, but we had paid little attention to organisation, and it was in the sphere of organisation that Germany found her opportunity. She devoted attention to the question of location of plant, to the organisation of capital and to commercial enterprise. German industry called upon educational institutions to provide not only chemist and engineer, but also manager, commercial organiser and banker.

Illustrations of the stimulus provided by difficulties may be drawn from many other fields. When rates of wages were standardised in cotton manufacture and other well-known industries, many employers found that they could not hide

their individual inefficiencies by encroaching on wages. They sought other methods of reducing cost and turned their attention to increasing plant efficiency by improving machinery, standardising processes and products, and eliminating wastes. When coal strikes added to the risk of industry manufacturers were impelled to examine more closely the claims of oil and electricity. When railway strikes repeatedly interfered with the movements of goods and people, an added stimulus was given to the growth of transport by road. When skilled sheet-metal workers insisted upon reserving to themselves classes of work which could easily be performed by women and youths their monopoly was destroyed by the advent of the hand press and the power press.

Far-reaching changes in industry are introduced under conditions which we have illustrated. The latest example is provided by the Covent Garden strike. There is a widespread suspicion that our methods of distribution are wasteful and antiquated. The distributive trades do not seem to have kept pace with manufacturing industry. It is not easy to adduce direct evidence that the suspicion is well-founded. The sphere of the engineer or technical expert is far more restricted than in manufacture. Nevertheless, the suspicion is deep-rooted, and it is believed that distributors, as a class, fail in organising capacity. It is further believed that they are not subjected to the same keen competition which they in turn foster among the farmers and manufacturers from whom they buy. The method of organising the distribution of garden produce in London was said to be sanctified by age! The porters' strike has now brought Covent Garden itself into the limelight! The immediate effect has been to show that the methods of organisation have been wasteful and extravagant. The employers have discovered new and better methods so quickly that it is impossible to avoid the conclusion that they were already aware not only of the inefficiency of the old methods but also of the means whereby economy could be effected. They now say that a large proportion of the porters, by striking work, have struck themselves out of the industry altogether. If economies could be introduced so easily and quickly, is it not reasonable to suppose that further and more substantial economies could be discovered by sustained effort? Either the spur of competition is lacking or competition is so wasteful that joint organisation on a large scale would promise far better results. The attention of the nation is usually concentrated so largely on mining and manufacture that the

distributive trades have escaped notice. We hope that the Committee which has been appointed to enquire into the prospects of British industry will not ignore the latter. Efficiency is desirable in all spheres of economic activity, in the fruit market no less than on the farm, in the wholesale and retail stores as much as in the factory, and as much in the distribution as in the mining of coal. In the present case the displaced workers may suffer serious hardship. It would have been far better if economies had been introduced at a time when alternative employment could have been found more easily. It is one of the ironies of our system that when economy is most essential from the individual employer's point of view (that is, during depression) it is most unfortunate from the worker's standpoint, and that when the worker could easily obtain work elsewhere (that is, during a boom), the employer is already enjoying a profitable trade and is less anxious to reduce current costs. But these local and temporary difficulties do not lessen the ultimate importance of economising effort in every possible direction. For in this way, and this way alone, can we hope to raise the possible standard of living for the community.





## “IS UNEMPLOYMENT INEVITABLE?”\*

THE joint book is seldom a success, and often fails badly: for joint authorship is *per se* a confession of disunity, of parochialism in knowledge and separatism in attitude. But if there be a subject on which an admission of personal inadequacy to the whole of it becomes the writer, it is unemployment, and especially the tidal wave of unemployment that afflicts ourselves, the Germans, the Russians and others at this moment, so that the volume entitled *Is Unemployment Inevitable?* is perhaps to be welcomed rather than condemned for its joint authorship. The causation of the present unemployment is exceedingly complicated, as the Socialist government is learning, and the cure must be difficult in proportion to the complication of the causes. The question-title, moreover, is purely “rhetorical.” The book neither answers its own question, nor apologises for the omission. Chapter VIII, which summarises the conclusions very briefly, takes a cheerful view of the present situation. The trend of the subordinate investigations is optimistic. The authors are able to reassure their readers from half-a-dozen different points of view. The book strikes the key of comfort, and proves the key right by astute reasoning and plenty of figures. If the professed economists, who are usually reticent and sceptical, readier to pronounce a thing impossible than to foster hopes, give way to quiet optimism, the rest of mankind may quite safely anticipate better times.

Let those who think that the destruction of public and private debt in Germany by the policy of inflation enables German industry to compete the more easily against ours read Professor Bonn’s contribution on Currency. His authoritative elucidation of the effects of inflation may be summed up in the paradox that a country which is without debts is without credit. The facts of the money market in Germany at present, of the rates which manufacturers and merchants must pay for loans and overdrafts, would amaze our business men, if they knew them. Professor J. H. Jones believes that our most formidable competitor in the building of standard types of ships in the future will be Germany and not the United States, and that we shall still be building at least a half of the world’s annual output. He even thinks that there is a “distinct

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\* *Is Unemployment Inevitable?* An Analysis and a Forecast. A continuation of the Investigations embodied in “The Third Winter of Unemployment,” published in 1923. Macmillan: 1924. 8/6 net.

possibility" of a very rapid revival in shipbuilding. Professor Daniel's discussion of the Cotton industry strikes a less confident note. Here the recovery of prosperity depends on a reduction of prices, which depends in turn on the expansion of the supply of raw cotton. The great wool industry is in a far better condition, as Mr. Shimmin proves; 1922 witnessed a rapid recovery from the depression of 1921, while the later months of 1923 showed the same resilience, and 1924 opened with brighter hopes than had prevailed for some time past. Mr. Shimmin predicts "not disaster, but a very bright future for the woollen and worsted industry." Mr. Clement Jones' survey of port facilities is also encouraging. "The impression," he writes, "that remains after such visits is that the port authorities in this country are keenly alive to the vital importance of keeping their plant up to date." Mr. Harold Jeans faces the facts of the iron and steel trades, viz., the falling off in demand, the expansion of manufacturing power in certain great competing countries, and the incipient industrialisation of some new countries, but without alarm. "There seems," he writes, "to be no good reason to suppose that, given settled financial and political conditions, the world's demand for our exports of iron and steel is likely to cease to expand, in spite of the growing manufacture of iron and steel in some markets which previously imported these." The prospects are good, according to Mr. Jeans, in the long run, though the immediate future cannot be satisfactory. Even in engineering there is a good chance that as world trade regains its old volume Britain will recover her proportion of the world's export of machinery. Mr. Horsfall thinks, in particular, that the costs of production in Germany will probably rise to a level which will involve little or no disadvantage for British competitors in the world market.

The lesson of the book as a whole is that as the business of the world recovers scale and momentum Britain may hope confidently to recover her prosperity as a formidable and well-equipped competitor. The statistics of the period of depression indeed are relatively favourable: Britain is responsible at present for 17 per cent. of the world's total exports as against 13 per cent. before the war, and in 1922 63 per cent. of the shipping passing through the Suez Canal was British as against 58 per cent. before the war. On the general question of the balance between employment and population, Professor Bowley's examination of Census figures yields the interesting conclusion that between 1931 and 1941 there will be no

problem of finding work for increasing numbers, since the total population will show scarcely any change in those years. The surplus of labour from growth of population will be a problem, if Professor Bowley is right, only in the next few years.

In estimating the force of the various causes of unemployment the book lays stress on the psychological as against the objective. But for variation in objective factors there would be neither depressions nor booms. We are inclined indeed to complain that the authors underrate the influence of good and bad harvests on general prosperity: unless their views are to be taken as an analysis of existing circumstances rather than as "general economics." The post-war boom and the subsequent depression owed a good deal more to psychology than to objective causes. The problem therefore which the authors confront is that of the great waves of optimism and pessimism which may be occasioned in various ways, but which owe so much of their force to the human faculty for exaggeration and mystification. Fuller knowledge and preciser thought would save the victims of such waves from their too rosy hopes and too dark forebodings. Of the two exaggerations the hopes are the more dangerous, since it is the miscalculations and misjudgings of the rise that start the trouble. The practical problem is to find a means of diffusing a more objective sense of the commercial possibilities, or, that failing, to devise an automatic check. The latter method, as the more obvious, has evoked wide discussion. Attractive in theory at first sight, it involves very serious difficulties in practice, for the banks have no sufficient motive to impose the needful variations of the bank-rate, they being private profit-earning concerns and not responsible for those general interests of the community which a compensatory manipulation of the bank-rate might be supposed to conserve. This manipulation would have to be done by the State, and at the State's expense: and the method would have to be such a variation of the total volume of currency as would oblige the banks to raise or lower the bank-rate. The chief defect of such a scheme, if it could be organised, would be that its control, specifically effective at one point, would be nullified because of the impact of factors entirely uncontrolled. The system of British finance is a world-system exposed to influences from every quarter of the globe: and if London be the banking centre of the world, no control of London which failed to control the world as a whole could do anything but harm

**London as a monetary centre.** The centre must be left free to respond sensitively to all and any influences from the periphery.

We feel altogether more doubt than the authors have allowed themselves to express whether any such artifice as the manipulation of the bank-rate could interfere seriously with a real "psychological" boom. The mass-optimism of commercial men is apt to sweep unheedingly over obstacles, and to take all risks. The real cure of the evil lies in education regarding the risks. The best way of dealing with the boom is to deal with the individual before he joins it. The emphasis which the authors lay on the dissemination of information and statistics regarding the home and world markets as likely to check commercial impulsiveness seems to us to express the kernel of the matter. We would add that the industrial system by which Britain lives is a very new thing in the world. It has not acclimatised itself as yet, or subsided into naturalness. As essentially a *tour de force*, an extemporised effort of the last two centuries, it is full of uneasy tension, and none of its motives are uninfected by excitement. Its discipline is imperfect, and its confidence is apt to surge up into wildness or to sink in collapse. Neither the origin nor the continuance of industrialism of the organised modern type is conceivable apart from a rather morbid strain on motives and emotions. The real marvel of the system is not its unsteady moments or phases but its general steadiness. Those who hope within a short time from the appearance of industrialism to rid the system of the occasional ill effects of its essential optimism expect too much. Their earnestness scarcely compensates for their lack of perspective, and indeed of humour.

We welcome the discussions of the variation of the volume of public works as between times of good and poor employment—Professor Pigou's remorseless examination of methods and results and the persuasive statistics of Professor Bowley and Mr. F. D. Stuart. It is clear that the volume of public contracts is sufficient, if suitably timed, to mitigate substantially the extreme phases of unemployment. But the local bodies which control this expenditure are neither so placed nor so minded as to carry out the timing without State regulation and help. The efficacy of this method would depend, therefore, on the amount of help which the State could give. But in times of severe unemployment the State, as things stand, usually spends largely on public works; and not even the State can spend the same money twice.

## THE FACTS OF THE CASE IN DIAGRAM, No. LIII.

IF we are to form a reasoned and comprehensive estimate of the consequences to industry (and therefore to the nation) of interruptions brought about by strikes and lock-outs it will be necessary to view the matter from several angles. For whilst such consequences affect different groups of people in different ways, their reactions are cumulative and their sum is an entity too important to be disregarded by the community as a whole.

On the threshold there is the case of the individual striker himself. The first result of "downing tools" is the loss of income following upon the cessation of ordinary wages. Directly this happens the standard of living of the worker, and of his family if he has one, falls abruptly unless he runs into debt at the local shops, by which device he spreads his loss over a longer period. The pinch of domestic stringency is mitigated appreciably by the issue of strike-pay, a necessary expedient which of course is nothing but the using up of savings set aside during seasons when industry was at peace. In this connection it may be observed that as successive strikes drain the reservoir from which dispute-benefits flow, the rate of strike pay must tend to be in inverse ratio to the frequency with which it is tapped.

Although the weapon of the strike is unsheathed for the most part after tempers have been ruffled, that is to say when men are not in a mood to weigh pros and cons with any nicety, it may be assumed that at the beginning the strikers are generally confident of winning. They are prepared, therefore, to risk a sprat in the expectation of catching a whale, and every endeavour is made by the organisers to encourage the belief that much good will come out of little evil. Whether such optimism is often justified by the event is a question of cardinal importance, and one which must be examined in due course. For the moment it is sufficient to say that, in the great majority of cases, strikes bring results which are highly disappointing to the strikers.

The next reaction to be considered is the effect produced by strike-fever upon the general health of Trade Unionism, regarded as an institution founded with the prime object of safeguarding the workers' interests. The organising and financing of strikes should be only a comparatively small part of Trade Union activity, and the attention paid to other, and

# DIAGRAM No. 90.

(Note.—The small numbers in this diagram indicate the number of squares in each group.)

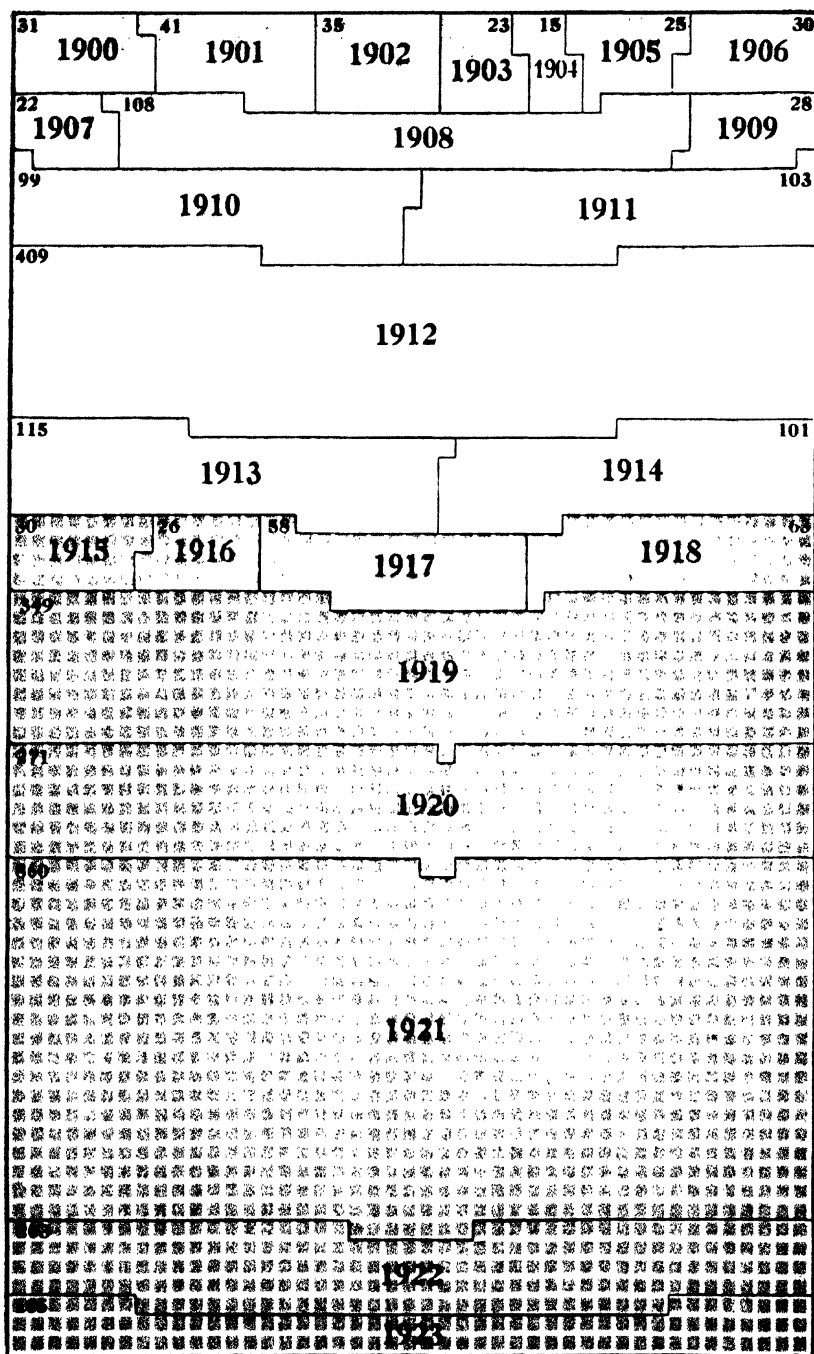


Table shewing the number of working days lost to industry through strikes and lock-outs during the years 1900-1923.

Scale : Each square of colour represents 100,000 working days.

perhaps more beneficent, departments is bound to suffer if an excess of available energy is consumed in the pursuit of militancy. The science of industrial conflict has its place, but it should not crowd out the arts of orderly administration. That Unions sometimes neglect the more humdrum side of their business may be gathered from the comments of the Chief Registrar in his annual summaries, which report *inter alia* that "defalcations involving heavy losses . . . are still brought to light. . . . One Union returned deficiencies of branch officials amounting in 1919 to £334, in 1920 to £840 and in 1921 to £2,063." Notice is also called to the unsatisfactory manner in which books have been kept. From another source we learn that certain Trade Union officials have complained that as their time is fully occupied in fighting for wage-increases, they have none to spare for adequate co-operation in measures designed to increase safety in coal mines. The expenses of "fighting unions" are naturally heavier than those with a more pacific temperament, and when Reserve Funds are exhausted by strikes there is, also naturally, a tendency to demand larger subscriptions from members. Thus in 1914 the contributions of trade unionists from all over the country averaged 6.23 pence per head per week; in 1921 the average weekly contribution had risen to 9.8 pence. It may reasonably be argued that such an increase merely reflects the devaluation of money during the period in question, but this explanation cannot be held to apply to the far more significant fact that whereas in 1914 only 15¼ per cent. of members' contributions was expended upon dispute-benefits, in 1921 no less than 32½ per cent. was so used. We do not offer any opinion as to the proper manner in which trade unionists should spend their money, we simply draw attention to a tendency which may possibly have escaped their notice.

The reactions upon home-trade caused by strike epidemics is obvious and direct. The Coal Strike of 1921, to take an outstanding example, entailed the loss of some 73 million working days, mainly between April and July of that year; that is to say individual wages that would otherwise have been drawn for that number of days in the aggregate were not distributed. At a very moderate estimate the money value of the wages so forfeited, and which consequently were lost to the home market, cannot have fallen short of 35 million pounds. It is unnecessary to expatiate upon the immensity of these figures; they speak for themselves. State-

ments often appear in socialist publications to the effect that high wages, by conferring greater purchasing power upon the working millions, will stimulate home-trade to such an extent that any loss in overseas-trade sustained by reason of the increased cost of our manufactures, will be compensated for by the greater activity of our internal trade. That we are unable to accept this doctrine in its entirety does not prevent us from observing that if such is indeed the case its corollary must also be true, and that the loss of purchasing power to the value of many millions of pounds must deal the home market a shrewd blow.

The spectre of unemployment, already perhaps the most formidable of our industrial perils, is rendered even more menacing by the prevalence of strikes. If we are to have regularity of employment an essential preliminary is that we must have regularity of trade and should anybody doubt that the relation between strike and unemployment is intimate and absolute, he has only to study the records of both these phenomena together and he will quickly discover how the matter stands.\* But neither chronicles nor statistics can tell the whole story. Cause and effect are often widely separated both as regards time and distance and the saying that "many a pickle makes a mickle" has an opposite bearing upon the relationship we are considering. Except for the fact that there are supposed to be people who honestly believe that the number of jobs in the world is a fixed, and strictly limited, quantity we would say that it is self-evident economic truth that work of all kinds makes work for somebody else. As things are, however, we must content ourselves with asking how a stoker can feed his engine if the miners get no coal, and how authors, editors and publishers are going to live when compositors and printers stop working.

Another reaction that must be mentioned is that which concerns the cost of living. Scarcity is the progenitor of high prices even as abundance is the parent of cheapness. Everything we buy is made by somebody, or rather by a succession of somebodies, and the more articles they produce the cheaper do those articles tend to become, but the abundant output of goods is arrested by strikes and the process of cheapening is checked when overhead charges run on whilst production halts.

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\* For the convenience of those who may not have easy access to back numbers of the *Labour Gazette*, some examples, taken from the records of recent years and shewing how unemployment may be the direct consequence of the strike habit, are given on page 14 in this issue of *Industrial Peace*.



With up-to-date machinery and sufficient horse power to drive it, high wages can co-exist with ever-cheapening commodities but dislocation of industry hits the consumer with deadly certainty and strict impartiality whether he be wage-earner, dependent or millionaire. There is no possibility, therefore, of avoiding the conclusion that the strike weapon has an edge which does not spare the poorest of the people.

The effect that industrial conflicts have upon our export trade is an oft-told tale which need not here be elaborated, except to say that every strike which takes place in Great Britain tends to stimulate and encourage foreign competition to our disadvantage in the markets of the world. At the end of this road, also, lurk the evils of unemployment, poverty and general deterioration of conditions.

Diagram No. 90 requires little explanation. It is composed of 3150 squares each representing 100,000 working days lost through strikes and lock-outs during the twenty-four years from 1900 to 1923 inclusive. The total number of days thus lost to industry during that period is therefore 315 millions of days. It includes those persons only who were directly concerned in industrial disputes or who were thrown out of work by a dispute at the establishment where they were employed. Indirect sufferers in associated trades, etc., do not appear in the diagram. Minor strikes and lock-outs are also ignored as they are not chronicled by the *Labour Gazette*, which omits "disputes involving less than ten work-people and which lasted less than one day, except when the aggregate duration (*i.e.*, the number of work-people multiplied by the number of working days, allowing for work-people replaced by others) exceeded 100 days." The number of days lost in the year 1917 as given in the diagram does not represent the true position. This is due to the fact that under the Defence of the Realm Act the Government forbade any figures to be recorded with reference to the great engineering strike of that year.

The yellow portion of the diagram relates to pre-war disputes, the blue portion to the period of the war and the green portion to post-war strikes and lock-outs.

## THE RELATION BETWEEN INDUSTRIAL DISPUTES AND UNEMPLOYMENT.

*The following examples of unemployment and short time directly caused by strikes or lock-outs have been selected from amongst a larger number of similar instances recorded or implied in the pages of the Labour Gazette during the twelve years 1912—1923. They are here summarised in connection with part of the argument in the preceding article.*

1912. Employment was seriously affected by the national coal strike. The pig-iron industry was brought almost to a standstill and the engineering trades suffered markedly. A dispute in the weaving section of the cotton industry compelled most of the spinning mills to go on half-time and during the coal strike some of the mills closed right up.
1913. In July, employment in the Iron and Steel Trade was seriously affected by a general strike in certain metal trades.
1915. Unemployment figures rose during coal strike in South Wales during July and August.
1919. A prolonged strike at the iron foundries caused a large and increasing amount of unemployment and short time in the engineering trades. In October the railway dispute led to an increase of unemployment and during the last two months of the year a shortage of castings caused by the iron founders' strike was responsible for further unemployment in associated trades.
1920. Unemployment in the engineering industry was acute in the first months of the year owing to lack of castings. In other industries employment on the whole was good, and there was a steady improvement in engineering and allied trades after the settlement of the foundry dispute. In October the national strike of coal miners seriously affected employment in the principal industries. Between October 8 and November 4 there was an increase of at least 350,000 in the total number of workpeople idle and in addition large numbers were placed on short time. The settlement of the dispute was followed by a partial recovery.\*
1921. The Coal Mining dispute (April—July) greatly accentuated unemployment. In some important industries, including iron and steel smelting and manufacture, the tinplate trade and the pottery trade, work was almost completely suspended. The settlement of the dispute was followed by a general improvement in employment.
1923. The lock-out of the Boilermakers affected 10,000 workers directly and 30,000 other workpeople were rendered idle at the shipyards involved. During the latter half of the year some sections of the engineering trade suffered from the effects of the same dispute.

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\* The *Labour Gazette* records the fact that owing to the serious decline of employment actual weekly earnings were considerably lower in December, 1920, than at the end of 1919, notwithstanding the increases which took place during the year in actual wage rates.

## FORCE OR REASON.

### Some Notes on Industrial Arbitration.

By F. H. ROSE, M.P.

LAST April, Mr. Ramsay McDonald addressed the National Council of Free Churches at Brighton. Apart from some rather exaggerated sentimentality, the speech was probably one of the most impressive the Prime Minister has ever delivered. Referring to the prevalent strike epidemic, he observed, "*how foolish it is, how childish; surely these things can be arbitrated.*" I have read, in the pages of *Industrial Peace* passages which bear much the same interpretation. All such utterances come to me with a cheerful familiarity, for I have been preaching the doctrine of industrial peace for well nigh thirty years. I believe, in common with all my Labour colleagues, that there can be no guarantee of human progress until the world is safeguarded against military war; but, unlike them, neither do I believe that social progress is possible without freedom from industrial conflict. My present purpose is to present the case as I know it to be and leave conclusions to the judgment of workers and employers alike.

#### Anti-Strike Legislation.

Let it be said at once that anti-strike legislation has not been an unqualified success. If we examine the facts we shall find, however, that as a result there has been a mitigating influence which has been in exact proportion to the moral sense of co-operation and the spirit of disciplined loyalty of those who have thus been brought under the new law. What has happened, generally, is best explained by Viscount Bryce in his *Modern Democracies*. Referring to the operation of the Arbitration Laws of New Zealand, he observes:—

"It has had little success in the line of mere conciliation and has done something to discredit that method of settling disputes, which to be sure, was effecting but little in New Zealand when compulsion was introduced."

"It has raised wages, yet perhaps not more than they would have risen ultimately, if not so quickly, by the action of economic causes. It has not, to any appreciable extent, injured business or retarded the progress of the country. If it has not extinguished strikes, it has reduced their frequency and intensity."

Sir Chas. Wade, K.C., though obviously far from a sympathetic observer of the Arbitration Act in Australia, makes this admission:—"Although it has not abolished strikes, the duration and intensity of disturbances have been lessened."

What seems an impartial and accurate conclusion as to the efficacy of Compulsory Arbitration was published in the Empire Supplement to the *Times* on May 24th, 1921, as follows:—

“Probably in the long run it will be found that the Arbitration Court answers its purpose best in dealing with the Multitudinous claims which reach it from less important and less aggressive bodies than the great unions. Nobody would dispute that in such cases it has been the means of adjusting differences and of prescribing conditions that have won it the confidence of the public. The Australian Workers’ Union in January, 1921, balloted on the following question. Are you in favour of abandoning the present system of Compulsory Arbitration? Of 26,000 votes, 16,000 were recorded in favour of continuing the system.”

### The Half-way House of Conciliation.

The “Industrial Disputes Investigation Act” of 1907, still operating in Canada, aims at preventing strikes or lock-outs taking place before an opportunity of adjustment has been provided through impartial investigation. Paradoxical as the term seems, the Act is really a legal mandate for Compulsory Conciliation. Like the Compulsory Arbitration Acts of Australia and some of the States of America it has not been an unqualified success.

It may be said, however, that it has achieved such a measure of success as entitles it to serious consideration as a possible and practical alternative to our own chaotic system. Since 1907 seventy-one disputes were dealt with by investigation before strikes or lock-outs, and in sixty-eight cases disruption was prevented, None of the three exceptions was serious.

“The Industrial Disputes Prevention Act” of 1909, passed by the Transvaal Parliament, follows much the same lines as the Canadian Act. The Act has been practically ignored. Indeed it does not appear to have had the sanction of any considerable body of public opinion.

An Industrial Court Act of the State of Kansas is popular neither amongst employers nor workers; yet similar Bills have been introduced in Louisiana, Michigan, Texas, Oklahoma, New Jersey and Illinois. There is, in Texas, an “Open Port Act,” recently passed, to prevent transport strikes by means of Compulsory Arbitration, but which covers some other industries. It is well to note that the American Trade Unions’ “Bill of Rights” demands the repeal of the Open Ports Act amongst other coercive measures.

In the State of Oregon an anti-strike Bill has been under consideration, and in Nebraska, Montana and Colorado similar legislation is either enacted or contemplated. I mention these facts to demonstrate that the view that the strike and the lock-out are bad and brutal methods is gradually spreading.

### The Lesson of Norway.

By an Act passed in 1916, if it was found that an industrial dispute was seriously endangering the interests of the community, the King could decree that the dispute be settled by arbitration and could prohibit the commencement or continuance of a strike or lock-out. As late as March 11th, 1924, it was reported that the Government were considering the introduction of legislation to enforce the observance of arbitral awards, and this move appears to have the approval of what the report terms "influential quarters."

In the few months which have elapsed since the Report was received, the Act has been repealed, as far as one can judge, through the active efforts of the employers rather than those of the workers.

The following extract from a lecture by Mr. Rasmussen, head of the Norwegian Employers' Association, seems to demonstrate that in Norway at all events the employers are more vehemently opposed to arbitration than even the Trade Unions:—

"Various opinions could be held upon the question of arbitration. The law of Compulsory Arbitration has now run its course, and all who are interested in a healthy development of industry are content that it should be so, *as the decisions of the Court of Arbitration last year caused great dismay and have laid burdens on commercial life which are difficult to bear.*"

In other words, the awards had been so greatly in favour of better conditions of labour that the employing classes had taken fright. I have more than once pointed out to our own workers that to end the "right to strike" automatically destroys the right to lock-out. The significant truth is that some percentage of strikes are won, more are compromised, most are lost, by the workers. But I cannot find any record of a lock-out successfully resisted. It is the deadliest industrial weapon, but as long as workmen exercise the right to strike, the right of the employer to lock-out is a natural and essential corollary.

## The Lesson of Arbitration.

As I study the results of the legislative method of securing industrial peace I am forced to the conclusion that only a moral re-birth and a new conception of human duty can effect a lasting reformation. I find in the operation of both the Australasian and the Canadian Acts at least a suggestion that as long as the laws had the loyal support of the people, their effect was excellent.

I have not immediately available any statistics covering the whole of the Australasian colonies, but I believe those of New Zealand are not exceptional and may be taken as representative of the whole.

During the seventeen years 1905-1921 the numbers of strikes and lock-outs in New Zealand were as follows :—

1905	Nil	1910	15	1915-1918	War years
1906	1	1911	22		unrecorded
1907	6	1912	24	1919	45
1908	2	1913	73	1920	75
1909	1	1914	20	1921	77

That improvement in the workers' industrial conditions was effected during the first years is acknowledged, and if public opinion had remained steadfast, there is no doubt that the strike and the lock-out would have dwindled to vanishing point.

### Some Canadian Facts and Figures.

The fourteen years which cover the operation of the Canadian Act give some interesting and significant results. Since the passing of the Act the aggregate strike figures are as follows :

	<i>No. of disputes.</i>	<i>Workers involved.</i>	<i>Working days lost.</i>
	1,842.	560,664.	16,425,387.
Average pr. an.	131.45.	40,048.8.	1,173,242.

The population of Canada for the fourteen years averages about 8,000,000 persons, of whom nearly one half will be working for employers. If this calculation is even approximately correct there has been no more than 1 per cent. of the working population on strike as an average over the whole period.

Our own wage-earning population is roughly 16,000,000 and in the last four years our strikes and lock-outs have cost industry not less than 150,000,000 working days. The indirect loss caused by the reflex of these conflicts upon the community is only to be guessed at, but I feel sure that a communal loss, most of which has fallen upon the poorest of our people, is a factor which we dare not disregard.

With the exception of the sheltered industries nearly all the strikes and lock-outs have ended in the discomfiture of the workers. I put this question to the workers:—If all the issues which prompted these struggles had been submitted to arbitration, or even to such a test as the Canadian Act implies, could a worse result than that experienced in the present state of affairs have accrued?

### And Now——

Look at your work. Many of your unions on the brink of insolvency, their membership rolls at half the strength of 1920, the skilled workers, engineers, colliers, textile operators, working for *economic* wages little more than one half of the wages of bus drivers, scavengers and dock labourers.

What I have frequently felt and publicly expressed is that the policy of the employing capitalists followed since the war has been shortsighted and stupid. I do not believe there was any need for the sweeping attacks made upon wages and in all truth the absence of reason has been more conspicuous on the part of Capitalism than on the part of Labour. Certainly the workers have not alone been at fault. I cannot escape the conviction that a frank recourse to arbitration during the last four years would have left industry better off than it is to-day and the nation far better equipped to meet inevitable post-war difficulties.

But the present is no time for recriminations. To those of us who still steadfastly believe in the processes of reason rather than the bludgeon of industrial conflict, the present state of things is extremely disconcerting. The decline in Trade Union strength and influence is an alarming factor. Of our occupied population scarcely one in six is organised and of funded monies little remains. Nor is the trend of working class opinion a matter of much encouragement. It is not, at present, steering towards industrial peace. The question therefore for advocates of Arbitration is: what is our policy to be?

To one who has insistently and consistently preached what I still believe to be the truth, it seems to me that, in spite of all discouragement, in spite of what appears to be untoward in morale and mentality amongst both organised Capitalism and organised Labour, we must still examine, still endeavour, still persevere. I have never had the least temptation to doubt the righteousness of my faith or the ultimate efficacy of the remedy we advocate. That is why I do not ignore or belittle the difficulties. I want men and women to face the facts honestly and courageously and go on with the good work.

## WORK AND PLAY.

PLAY is a better word than recreation. The latter suggests building up a constitution which has been allowed to fall below its normal standard. It savours too much of medicine and the waters of Harrogate. It almost implies that the end of life is to maintain body and mind in a state of health. It reminds one of Swedish drill and other exercises in which the pupil is expected to concentrate attention upon the muscles in movement and the particular movements which are made. 'Recreation' suggests that its forms are means to some other end, which is work, for which a sound body and fresh mind are desirable. Pleasure is an incidental result. 'Play,' on the other hand, reveals the fact that pleasure is the end and that all gain to body and mind is incidental. The writer plays golf for exercise and cricket for sheer joy of playing. Even from the medical point of view the difference in motive in such a case makes cricket the better game. When sport is pursued for reasons other than the immediate satisfaction which it brings it ceases to be play and becomes a form of work. The word 'play' helps to give a truer picture of life than the word 'recreation,' and a better sense of proportion in estimating the character of economic society. Many readers will have been for their annual holiday. Some may have gone for the reason that they were weary in body and mind and felt that they needed rest and change before facing their winter's work and its anxieties. Others may have gone not because they were conscious of any physical or mental need for change but simply because they regarded a holiday as one of the good things of life, an end in itself. They gave little or no thought to its effects upon themselves. While on holiday their life may have been even more strenuous than while they were at work. They are not perturbed if they return less fit, physically, than when they started. They have increased their store of experience: they have added to the fullness of life: they have experienced the joy of living. Recreation of the first sort—rest of mind and body—is always desirable and frequently necessary. It has its value, but it differs in quality from a real holiday, which is 'play' because it is an end in itself. And a healthy society will attach value to holidays of the latter kind. Someone has said that people should drink not in order to make themselves happy but because they are already happy. We may appreciate the distinction while



believing that we should follow the third alternative of not drinking for any reason!

Our attitude towards many economic problems is influenced by our success or failure in distinguishing between what we have called play and recreation. Leisure is a useful possession. Its value in one sense is now widely appreciated. It is agreed that a man may work so hard and so long every day as to reduce his efficiency over a long period. Those who advocated shorter hours were careful to defend their plea on the ground that industrial efficiency would certainly not be reduced and might even be increased. Is there no more than that to be said in its favour? We believe there is. Leisure is a condition of enjoyment and worth paying for: it is therefore not a conclusive argument against shorter hours that industrial efficiency is in fact reduced. The argument merely reveals what the cost may be of the additional leisure or holiday. But, it may be asked, can we afford it? Clearly there is a limit beyond which we cannot afford leisure. Nature is not so generous as to give us all we want without working for it. Work is human effort put forth for some purpose other than the immediate pleasure derived from it. Often it is laborious because it is disciplined effort, but usually it affords pleasure. A certain amount is necessary, but how much is necessary depends upon the nature of our 'play.'

It is one of the contradictions of modern economic civilisation that we work so hard in order to play that we have little time left for the play itself. We spend so much time in working clothes in order to provide 'Sunday suits' that we merely succeed in providing food for moths. The products of work are usually classified as necessities, comforts and luxuries, all three comprising different categories of commodities and services. Bread and butter, milk and meat, we are told, are necessities of life, tobacco is a 'comfort,' motor cars are a luxury. Economic pundits further inform us that what was a luxury yesterday is a comfort to-day and to-morrow will be one of the necessities: steady movement from one category to the next is the true criterion of economic progress. We believe the classification to be capable of improvement along the lines of work and play. The same goods will appear in the two categories, which are those essential (and intended) for building up the body and mind and those which are instruments of play. We are told that we eat too much. Some people certainly eat more than is 'good' for them. Eating is one of the forms of pleasure of gourmands, just as cricket is a

form of pleasure to the writer. Our attitudes towards the two things are strikingly similar. The extra food is no less an instrument of 'play' than a tennis racket. But work and play are not mutually exclusive categories. We train for the race, in which we run for pleasure; but training is uninteresting and regarded as a means. We eat because we must: it is a means to an end. But we have made virtue of necessity, and brought an element of play into work by having dinner parties.

These are not idle examples, but are employed for a purpose. They suggest many generalisations, of which three may be noted. In the first place it is not a final argument against the substitution of A for B that it fails to maintain industrial efficiency. Shorter hours may be justified in the interests of 'play' even if it be shown that the cost of production would be raised. But we cannot eat our cake and have it. If we take a real holiday we must be prepared to lose what we would have produced if we had remained at work. It is one of the tragedies of post-war history that people were led to believe that they could enjoy shorter hours of work without sacrifice in any other direction and without effort greater in amount or better directed during the working period. If we had been clearly told that we would naturally have to pay for the new leisure much discontent would have been avoided.

In the second place, a great deal of economic effort is due to the desire for 'play.' If everybody lived the life of an ascetic the volume of employment would be enormously reduced. It is the love of variety, the growth of new desires and demands, which enables industry to re-absorb those who are displaced by new inventions and improved methods of organisation. If everyone were completely satisfied with his present lot those thrown out of work by the application of science to industry would remain permanently unemployed. Hence we find that a steadily growing proportion of the working community is employed in ministering to our desire for 'play.' The truth of this statement becomes obvious as soon as we consider the number of people employed at seaside resorts, in sport, in journalism and the book trade, in transport for pleasure, and so on. It should not be inferred that universal extravagance—play beyond a reasonable limit—is desirable. We should consider not only to-day's play but to-morrow's also, and spend part of to-day in preparing for the latter; in other words, the community should make adequate provision for fresh capital and for depreciation. Yet

we should not forget, as we are inclined to do, that the purpose of much of this capital is to guarantee that to-morrow's game will not be spoiled. We should mow the tennis lawn and mark it out afresh for to-morrow's game: we should also prepare a new lawn for next year's larger membership, and build a hall for indoor amusement on wet days. This is a true picture of economic society.

In the third place, while it may be—and is—true that industries differ materially in urgency, they differ far less in financial importance. This statement is contrary to the popular belief, which is that some are parasitic on others and therefore possess less financial virtue. We are told, for example, that whereas mining and shipbuilding are vital to the prosperity of the country, our seaside resorts, our libraries, our theatres and our picture houses could be dispensed with without financial loss. Such a statement implies a false view of economic society. There is no greater financial virtue in building an expensive liner for the gratification of the whims of wealthy passengers than in training horses for a race which gives an opportunity for betting to a miner. Coal-mining which ultimately results in warmth in a theatre is no less a "luxury trade" than the theatrical profession. Industries are all members one of another. Specialisation and interpenetration are so pronounced that it is now impossible to place industries and products in separate categories based on considerations of need or finance.

What is needed most is continuity, and that is secured by the fact that social habits change but slowly. An immediate and drastic change might produce dislocation far exceeding the immediate benefits of such change. The post-war reduction in hours, for example, pulled us up very sharply. We welcomed the additional leisure, but we found the cost to be greater than anticipated, and we wondered whether we were not paying too dearly for the boom. We were called upon to make unexpected sacrifices and wondered whether they were worth while. A new form of 'play' appeared, but we found that other forms of 'play' had to be surrendered. We believe that in the end the reduction in hours will prove to be worth while, that the increased leisure will be worth the cost. For not only will we have secured our immediate objective, but there will be an important incidental result in increased efficiency during the shorter working period. It remains now to discover a motive which will elicit more intensive work in order that the new 'play' may not permanently injure other forms of enjoyment and relaxation.

## FOOD FOR THOUGHT.

THE Trade Unionists are not unnaturally up in arms against the Independent Labour Party, and it does seem a little indiscreet that the *New Leader* (the party's official organ) should express itself so freely and so publicly at the expense of its colleagues. Rebukes and counsel, however necessary, are generally more acceptable when administered in private. In the recent number of the *New Leader*, in an article entitled "Is Trade Unionism Played out?" Mr. Ernest Hunter gave a critical analysis of the spirit of the Trade Union Congress which, had it appeared in the *New Statesman*—an independent Liberal organ—might have been most salutary, but which in a Labour paper can surely only be offensive and provocative.



Mr. Hunter attacks the Congress on two main grounds. The political interests of the Trade Unionists, he rightly contends are, for good or ill, now entrusted to the Labour Party, and Congress has therefore no right to discuss political questions authoritatively. Labour problems have an industrial and a political aspect, but Labour becomes a Tower of Babel if both sides are discussed at once. In the second place he fears that Trade Unionism is in danger of slipping back into sectionalism and individualism. He describes it as an army with hundreds of leaders all pulling different ways and often in the direction of very narrow interests instead of towards the wider needs of the army. He sees an inability to consider circumstances, to come to considered judgments—no sign of team work or co-operation.



Mr. Hunter's article is no accident. His views have not inadvertently escaped the editor's eye. "Is Trade Unionism Played out?" is no doubt part of the Parliamentary Party's plan to bring its own camp into order. It is a very tactless attempt to appeal to the Trade Unions to tighten up the industrial movement in adequate support of the political

advance. At their Congress the trade unionists showed many signs of consciousness of their own shortcomings, but at the same time there is no doubt that they regard themselves as the real strength and motive force of the Labour Movement. In their view the political party is of their creation: a body delegated to carry out their political requirements. The conception of the Labour Party as a Government has not really entered their heads. They are accustomed to delegate. They cannot yet understand that by the act of putting their Party into office they have cut the leading strings. The child has outgrown the parent. In accordance with the constitution and the traditions of this country their delegates have acquired rights and duties to the nation which transcend the powers of trade union officials. Having elected their men they cease to have any more direct control over them than a Liberal or a Unionist party would have over a Capitalist Cabinet.

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The Parliamentary Labour Party has, of course, fully realised this and is aware that if it is to carry on the affairs of the nation it must free itself from the sort of tutelage that its followers would impose. For, unfortunately for the Party, the Trade Unions are not the only offenders. What Mr. Hunter says of Congress applies to the party as a whole---from the Communists, with their Minority Conference prepared in Moscow last July, to the Labour Party itself.

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Thus the agenda for the October conference of the Party contains many resolutions sent up by different branches demanding that a Labour Government shall be subject to the fullest control of the Executive Committee of the Party, and one branch even demands that the appointment of ministers shall be made by the Party and not by the Prime Minister. These resolutions are likely to meet with short shrift, but they nevertheless indicate both the difficulties of the Government and the weakness of Labour as a political party. The movement is made up of a series of sections each a little less experienced than the other, and each determined to get what it wants in its own way. It has been taught to believe in the impossible and to demand the millenium. And it will demand it of its own as it would of a capitalist government. In so far as the

Government is sincere in its efforts to help the nation it must concentrate on undeceiving its followers. But it was not for this purpose that it was returned to office, and the dilemma is how to retain power and yet not work evil. The present issue is less between Labour and the Capitalist than between the elements of the Labour Party. The opposition comes now from within, for the I.L.P. has taken the measure of the country outside the Labour Party and has the wisdom not to test it too far.



Despite its many shortcomings the T.U.C. gave ample proof of the desire of the leaders to strengthen the unity of trade union organisation. Two important resolutions were passed dealing with this question and although their chance of becoming effective in the immediate future is slender, the mere passing of the resolutions is progress in the right direction. The way in which the plan to organise by industry was coupled with an alternative scheme for merging existing unions to present a united front for fighting purposes, is indicative of the weakness of resolve amongst the unions themselves. The creation of a Standing Order making it obligatory upon trade unions to keep the General Council informed of all disputes, and giving that body considerable powers of interference is much more important and might well lead to a partial solution of the strike problem which has become so acute a menace to the future of the country. If the trade unions can really set up an effective tribunal before which their members must justify their case, cannot the employers also evolve some such organisation and the two parties thus provide the means of genuinely settling disputes by discussion and arbitration instead of merely patching up differences by force of strike and lock-out?



Labour is perhaps as tired of strikes as the rest of us—and certainly the government has no use for them—but the Congress was unanimous in declaring its resolve to brook no interference with the right to strike. An attempt by the Boot and Shoe Operatives' Union to get Congress to favour giving national Joint Industrial Agreements the same validity as awards under the Trade Boards' Act was rejected on the

ground that it was the beginning of compulsory arbitration. Labour triumphant is in no mood to entertain any restriction of its freedom but if met with understanding it may of itself devise a means of checking the strike evil.

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We have often had occasion to refer to the work of the International Labour Office, which has already had considerable success in levelling up industrial conditions throughout the world. The importance of this work—and not least for Britain,—ought to be brought home to our industrialists and to all students of industrial affairs, and we welcome a book which has just been published, *The International Labour Office (League of Nations)* by E. Beddington Behrens. Mr. Behrens, who was on the Staff of the I.L.O. for some time, gives in a handy form all that it is necessary to know, and indeed all that there is to know, about the constitution of the I.L.O., its history, and its fruits. We venture to call attention particularly to the chapter on Industrial Research, for it is hardly to be hoped that the I.L.O. should each year produce a crop of important conventions or recommendations. Public opinion has first to be created: and the best means thereto is the collection and diffusion of reliable information by a body of adequate authority. The I.L.O. is now in a position to gather such information in any and all countries. Its results are published in its regular periodicals and in special monographs. It provides, besides, a means whereby private persons may obtain official information on such points as interest them specially.

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## DAY BY DAY.

*(A daily Record of the principal events which have a direct bearing upon the maintenance, or otherwise, of peace in industry).*

**August 1st.** The Ministry of Labour index figure for August 1st showed the cost of living to be 71 per cent. above that of July 1st, 1914.

Recorded changes in rates of wages resulted in an aggregate reduction of over £53,000 in the weekly full-time wages of 820,000 workpeople and an increase of £21,000 in those of about 460,000.

Ninety-five trade disputes in progress during July involved about 150,000 people in idleness and caused a loss of about 2,000,000 working days. The principal dispute was in the building industry.

Employment declined slightly. In Insured Trades the percentage unemployed was 9.9 at 28th July and 7.4 among trade unionists. The Employment Exchanges registered 1,052,000 as seeking work at that date.

Tramway wages claim: It was submitted to the Special Tribunal considering this claim that the men had not made out any case for higher wages; that higher wages would in fact result in a curtailed service and consequent dismissals and that, although both parties were agreed as to the merits of standardising rates, the employers could not standardise on the highest rates and the men would not accept standardisation that did not mean increased rates. It was agreed to continue the present rates for three months and to suspend the existing notice for that period in order to facilitate the work of the Tribunal.

**6th.** Building Trade dispute: A round table conference of employers and operatives met under the chairmanship of Sir David Shackleton and was adjourned until to-morrow in order to allow of a separate meeting between the Liverpool employers and operatives.

**8th.** Building Trade dispute: Continued negotiations having failed to result in a way out of the difficulty presented by Liverpool, the conference adjourned to-day until August 12th. Meanwhile the Liverpool representatives, who were authorised only to demand separate negotiations, will return to their city for a wider mandate.

Electrical trade dispute: The J.I.C. for the Electricity Supply Industry will meet on August 15th to discuss the situation. The employers have refused the men's demand for a 10s. increase in weekly wages on the ground that no case has been made for the advance, but they are willing to continue the policy of the Whitley Council, which has operated successfully in the industry for five years, by submitting the



demands to arbitration. The men, however, state that unless the Council affects an agreement on the 15th, 14-days' strike notices will be handed in.

- 10th. Steel workers in Rotherham and Stocksbridge, near Sheffield, have given notice that they will cease work in eight days unless their demand for increased wages for semi-skilled workers is granted. About 6,000 men are directly involved.
- 13th. Building trade dispute: It is reported that substantial progress was made during the day's negotiations, and proposals were formulated for a settlement of the Liverpool dispute. These proposals will be submitted to the Liverpool operatives for acceptance or rejection.
- 14th. Covent Garden porters' strike: The Transport and General Workers' Union, which has for some time been in negotiation with the employers, announced at noon that a deadlock had arisen, and about 3,000 porters immediately came out on strike. The men are demanding a minimum wage of £4 5s. od. a week all the year round, overtime rates after 5 p.m., and special rates for casual employment. It is stated that in the summer months the men earn £8 or £9 a week, and the employers are not willing to guarantee more than £3 10s. in the winter months, and £4 in the summer.
- 15th. Workers' Education: The International Federation of Trade Unions opened an international conference on workers' education. The conference is being held at Ruskin College, Oxford. Mr. J. W. Bowen, Secretary of the Union of Post Office workers presided, and about seventy delegates attended from over twenty different countries. In his address the Chairman stated that their concern was with the desire of workers to have a clearer understanding of their own existence. The education in elementary schools was appallingly inadequate; they read of the lust and abuse of power of the ruling classes, but it was only through the workers' education movement that they learnt of the blood and tears of the workers. The movement should be aggressive, constructive and cultural.
- 16th. Electricians' dispute: After two days' sittings the National J.I.C. failed to obtain any agreement. It was therefore agreed to set up a special conciliation committee to consider the difference between the two sides and to make recommendations to the Council. Failure to reach a settlement meant that the Trade Unions which were parties to the demand for 10s. increase were authorised to give 14 days notice to cease work. The intervention of the Minister of Labour and the genuine desire of both parties to carry out the spirit of the Whitley Council machinery averted necessity for this action.
- 18th. The International Workers' Education conference was con-

cluded over the week-end, and it was decided to establish an educational International to deal with the aims outlined by Mr. Bowen. Most of the discussions centred round the question of whether or no the education should be based on the inevitableness of the class war. Nominally the educationalists won the day, the propagandists' resolutions relating to the purpose and character of the education being referred for examination to the committee appointed to draw up the constitution.

Covent Garden Strike: No attempt was made over the week-end to bring this strike to an end. Pickets induced railway vanmen to take their produce back to the stations and practically no packages were handled in the Market.

- 20th. Covent Garden Strike: The employers in this dispute refused an invitation to discuss the situation with the Industrial Relations Department of the Ministry of Labour, on the ground that the Transport and General Workers' Union had definitely stated that they would force the employers to concede their demands. In their opinion the strike was being conducted in the interests of irrelevant political ideas by trade union extremists, and no good purpose could be served by discussion until the union modified its attitude. Mr. Ernest Bevin, General Secretary of the Transport and General Workers' Union, having been informed of this decision, wrote to the employers to the effect that his union was prepared to meet and discuss the standpoints of both sides before an independent chairman who should act as conciliator. If the employers refuse all forms of negotiation, the Union will probably attempt to hold up cross-Channel supplies and to close the Borough, Stratford and Spitalfields Markets.

Electricians' dispute: The conciliation committee appointed on the 16th instant recommended that the National Council should appoint a tribunal to examine and report upon all facts material to the issues arising out of the application for a 10s increase of wages, and to make recommendations to the Council thereon; all notices on either side to be suspended until such report has been accepted or rejected. The National Council has accepted this suggestion, and a court of five members is to be appointed at once.

- 21st. Building dispute: Negotiations were resumed at the Ministry of Labour, the Liverpool operatives having accepted the formula agreed upon to meet their special circumstances.

- 22nd. Building dispute: A settlement was concluded and work will be resumed on Monday, August 25th. Under the terms of the agreement the men will receive an advance of  $\frac{1}{2}$ d. an hour, and wages will be stabilised until February 1st, 1926. The questions of hours of labour and time lost are to be dealt with by committees, but in any event the summer working hours shall be 46 $\frac{1}{2}$  during official summer time in

1925. Liverpool workers are to continue their local agreement until December, 1925, but to accept the wage rates in Grade A towns and all national rules and conditions as from February 1st, 1926. The joint regional wages councils are to receive wider powers to deal with regional wage questions, subject to the ratification of the National Wages and Conditions Council.

Covent Garden porters' strike: The employers have not replied to Mr. Bevin's letter, their only response being a notice to all porters at work or returning to work, that they will give them full protection now and in the future. It is stated that many men would resume work if they did not fear that the union would punish them. The employers hold that the strike is purely a demonstration of trade union power, and they challenge the union to take a ballot of the men on the claims put forward by the union.

24th. The Red International of Trade Unions held a "National Minority Conference" in London. Mr. Tom Mann presided over some 250 delegates representing unemployed workers' committees and various trade unions and trade councils. In a series of resolutions it denounced the Labour Government, declared for the overthrow of capitalism by "brute force," and called upon the T.U.C. to control the Government and force it to act upon the lines laid down by the Minority Conference. A minimum wage of £4 a week was included in the immediate programme to be carried out by the T.U.C.

25th. Covent Garden strike: Mr. Bevin has issued a written account of the origin and course of this dispute in a circular issued to all the ports of the country. In this he states that the rupture was deliberated, planned and organised by the employers who believed they could get the men to return to non-union conditions. He declares that his Union is ready to negotiate under an independent chairman and to resume work pending the result of negotiations. Meanwhile, if the employers persist in refusing to discuss their respective cases, the Transport Workers will be compelled to refuse to handle fruit and vegetables throughout the country. The employers claim that the majority of the men would return to work if they were not intimidated by the pickets.

26th. Covent Garden strike: The men show no inclination to return to work, and no change in the attitude of either side is reported. From manifestoes issued by both parties, however, it is clear that the issue of the dispute is the question of the limits of trade union rights. The employers state that there is no question of the recognition of trade unionism as such, but of the right of a trade union to recruit its members by intimidation and by holding up essential supplies.

The Cotton Trade Federation announce that there is no prospect of returning to full time work before the end of the

year. The present maximum in the American yarns section is limited to 26½ hours a week.

27th. Covent Garden strike: The Port Labour Employees have addressed a letter to Mr. Bevin informing him that the circular letter sent to all the docks threatening to refuse to handle fruit and vegetables at any docks constitutes a breach of the National Agreement, and calls upon the Transport and General Workers' Union to cancel it.

28th. Covent Garden strike: Mr. Bevin has summoned a full meeting of the executive committee to consider the letter received from the Council of Port Labour Employers. The Covent Garden employers will meet to-day to consider the Minister of Labour's renewed invitation to discuss their position with him.

Huntley and Palmer's biscuit factory at Reading is closed as a result of an unofficial strike by several hundred girls. About 6,000 persons are locked-out. The girls asserted that new working instructions were issued which it was physically impossible to carry out in the time allowed.

29th. The General Council of the Trades Union Congress met to consider their attitude towards the resolutions passed by the National Minority Movement. It was decided to notify the Minority Movement that the Congress will consider only resolutions sent in by affiliated organisations.

The Miners' Federation are giving careful consideration to the probable effects of the London Pact on the coal industry of this country. Information is being collected as to the effect of the deliveries of reparations coal on prices, and the facts will in due course be discussed with the Prime Minister. The object of the inquiry and discussion is to find a means to prevent the infliction of any special injury on the coal-mining industry through the operation of the London Pact. It is anticipated that an international miners' conference will be held later. Mr. Evan Williams, President of the Mining Association of Great Britain, states that his Association is not likely to meet at present to consider the situation, nor will they associate themselves with the miners' representations. They were not consulted during the deliberations producing the present Pact and consider it too late now to interfere in what they regard as a purely political matter.

Covent Garden dispute: Following on the decision of the employers not to confer with Sir David Shackleton, the Ministry of Labour have appointed a Court of Inquiry to report upon the causes and circumstances of the dispute and the threatened stoppage of work at the ports and elsewhere.

30th. Covent Garden dispute: Mr. Bevin, discussing the Port Employers' letter, denies that his Union ever agreed to forego the sympathetic strike, and suggests that the National Joint Council for Dock Labour should meet in order to define the position clearly.

No. II.

# **OCTOBER**

MCMXXIV

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“To put it bluntly we must export either our  
goods or our population.”



# INDUSTRIAL PEACE

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# INDUSTRIAL PEACE

## PROPERTY.

THE proposed Russian treaty raises questions of fundamental importance. Any measure which, in fact or in appearance, condones repudiation of contract and unblushing confiscation of property is bound to have repercussions of a serious character not only in this community but in all others. Already the vague talk about the possible repudiation of debt by countries other than Russia has given rise to a feeling of insecurity which is inimical to the economic recovery of Europe. Industry and trade are built up on credit; credit means faith, and faith is nourished by honesty and the universal assumption of honesty. It is essential at such a time as the present that we should re-examine the foundations of society, and the following notes represent an attempt to summarise what is now the generally accepted view regarding the most obvious and fundamental feature of social organisation—private property.

Individuals and groups of individuals 'own,' that is, enjoy property rights over land, factories, houses, household goods and a host of other concrete, tangible external objects, as well as intangible things such as the use of a patent, or the goodwill of a business. At one time, indeed, people owned men and women, who were then called slaves. It should be observed first that such rights are in fact legal rights, that is, they exist in law, and are protected by law and the force which lies behind law. If we take another man's sheep we are guilty of theft, and are punished; at one time the punishment was death. Although the right exists in law its justification lies elsewhere. Nor does that lie in the origin of private property, which is found in seizure and user. It started among hunting tribes with movable objects, such as weapons, which 'naturally' belonged to those who could make best use of them. When, at a later stage, tribes acquired fixed habitats and cultivated the soil, property in land and dwellings appeared, from which fact there emerged the theory of property based upon occupation, a theory still recognised by nations in their dealings with each other. As society became more complex and the most suitable land was fully occupied the objects over which property rights were exercised multiplied in number and variety and the 'occupation' theory failed to fit the facts, with the result that it was urged that everyone had a right to what he produced. But the 'labour' theory was found wanting when group pro-



duction and exchange became characteristic features of economic society, and 'incorporeal' property such as goodwill, also acquired importance. Private property has now been sanctified by age. It is so much taken for granted that people rarely reflect upon its justification. Just as the instinct of self-preservation is assumed to constitute a 'natural right' to live, so, too, the instinct to claim 'one's own' is regarded as a 'natural right.' There is, however, no 'natural right' of ownership. Private property is not a 'law of nature,' unless we define the natural as the customary or the ideal, rather than what existed before law and custom intervened. Nature, in the sense of the original or prehistoric, was cruel, and recognised no right beyond that of might. And the origin of property is found partly in seizure, not only of waste land, but of the valued possessions of other people. Private property, in the sense of right, is a development; it was recognised first by custom and afterwards by law.

A property right, we have said, is a legal right. It is, however, based upon necessity or expediency; its sanction is social. Property is an institution which is justified by results. The right of private property is a right which is conferred by society and may be withdrawn by society at its own risk. It is a condition of freedom which is itself a condition of progress. A slave could be forced to work in the interests of the master's future, but without private property there would be no provision for the morrow among free, rational beings. The continuity of social organisation is guaranteed by private property. But society has never regarded property as an absolute, unrestricted right which must never be interfered with. It is a limited or restricted right, the degree of restriction being determined by social consequences. Society has always reserved the right to vary the conditions under which the private right is exercised and to restrict one or more of that group of rights which are associated with ownership. Absolute ownership or unrestricted right of property would include the right to hold or use, the right to destroy, the right to give away during lifetime or bequeath at death, the right to sell and to determine the terms of sale, and the right to acquire, without limit, by contract. Society has never admitted an absolute right to property in the sense of including all these constituent rights. When property in slaves was accepted as an iniquitous institution it was abolished. A city dweller who possesses a good pair of lungs and a trumpet may not exercise the one on the other at dead of night to the annoyance of his neighbours. The owner of a dog is not per-

mitted to leave it free to prowl along dark streets, though the owner of a cat is not punished if the latter visits our larder and disturbs our sleep. A man may not do what he likes with his house but must have some regard for the amenities of the house next to his own. In some countries the right of bequest is curtailed. Copy-rights and patent-rights are only of a limited duration. A railway company may not charge what it likes for every service which it offers for sale. When undesirable features are intensified and the exercise of property rights is likely to bring in its train consequences which are admittedly anti-social in their character, the State steps in and imposes restrictions.

Nevertheless the rights are more obvious and important than the restrictions. They act as an incentive to production and are ultimately responsible for foresight, thrift and enterprise. It is clearly possible to encroach upon these rights to such an extent as to destroy their value. The British Government does not and would not question its own right to impose taxation ; but if it imposed an income tax of twenty shillings in the pound (thereby incidentally reducing everybody to pauperism) the incentive to work would be destroyed and the community would quickly be reduced to a state of abject poverty, if not actual starvation. In a society where experiment is always difficult, and unsuccessful experiment on this point would result in calamity, it is one of the most difficult problems of statesmanship to discover precisely at what point encroachment upon property rights begins to reduce the value to society of the rights themselves. An illustration of the difficulty is to be found in building by-laws. If, in order to prevent overcrowding and rapid creation of slums, the regulations restricting the freedom of builders become so onerous as to destroy the incentive to build, housing conditions will become worse rather than better.

No true citizen would withhold sympathy from the statesman who is seeking the point to which encroachments upon property rights may be made with advantage to the community as a whole. But arbitrary conduct, including confiscation of property and repudiation of debt, merits nothing but condemnation and the utmost resistance. All civilised states have set up standards of equity which exclude the possibility of confiscation. Confiscation is essentially a denial of property rights ; a community which denies any right to property places itself outside the pale of a civilization which in turn rests upon a foundation of property rights and thereby perpetuates itself.

## THE FACTS OF THE CASE IN DIAGRAM, No. LIV.

As the prevention of unemployment is admittedly the most burning question in the industrial world of to-day, it is strange, but true, that one of the most prolific causes of this evil should be so generally ignored. Labour men have always looked upon any suggestion of meddling with the right to strike as rank heresy, and this attitude, though quite understandable in itself, has led to much loose and timid thinking, for it is not the *right* to strike which is challenged but the *practice* of striking. It is a matter of free will. Compulsory arbitration has never been a live issue in this country, and the demand for an industrial truce is no more than the expression of a reasonable plea that men should drop the habit of constantly inflicting serious injury upon themselves.

Successive governments have fought shy of blaming industrial unrest for the prevalence of unemployment, in the fear that the subject is pregnant with the seeds of unpopularity, but it is more than surprising that independent observers have paid so little attention to this most important aspect of the question.

Everybody knows that, in general, employment is likely to be good when trade is brisk, and that unemployment tends to increase when trade declines. This theme with its implications has been the subject of a vast amount of enquiry, argument and exposition during the last six years. Writers of every shade of opinion, and politicians of all parties have emphasised the facts that our people cannot be fully employed until the poverty of our potential customers in Europe is relieved, until international currencies are stabilised, and until the alternating waves of trade-boom and trade-slump become less pronounced. All this is very true and very important, but it is by no means the whole conclusion of the matter. If the level of trade, and that alone, dominated the situation, we should find a marked parallelism between the graph representing unemployment and the graph indicating total turnover of British merchandise trade. But such is not the case. On the contrary it is found that other factors, of which the most potent is the clash of industrial strife, intervene to such an extent that the appearance of uniformity is all but obliterated.

Diagram No. 91 which we print this month goes a long way towards filling the gap by furnishing an explanation of the irregular crises that disturb the labour market. Yet there are many tendencies which no graph can determine or encompass. The inter-relations between cause and effect are often too remote for precise analysis, and it cannot always be ascertained where consequence begins and where origin ends. Who can say, for example, to how great an extent loss of trade, resulting in a falling off of employment, was due in the first instance to some industrial dispute leading to stoppage of work? Some contract, lost to this country because of a strike at a critical moment, means a contract gained by a foreign firm, and when markets go astray it takes more than whistling to bring them home again.

Leaving these remoter issues out of present account, however, there remains a superfluity of immediate evidence of the direct influence of strikes upon the causation of unemployment. Much of this evidence is contained in our chart which, when carefully examined, will be found to account in great measure for the ebb and flow in the level of unemployment during the forty-four months under observation. It will be seen that whilst the influence of certain strikes is comparatively slight, so far as immediate consequences can be perceived, the effect of others is intensified out of all proportion to the number of persons withholding their labour. In general it appears, as might be expected, that stoppages which produce a shortage of raw (or semi-raw) material used in other trades are far more creative of unemployment than stoppages which interfere with the production of finished articles. Modern industry cannot function without a regular supply of fuel, and on that account strikes of miners and railwaymen are particularly hurtful. Of the five highest peaks shewn in the chart, namely, those in the months of July and October 1919, October 1920, June 1921, and May 1922, the first four are associated with mining or transport and are sharply reflected in the graph relating to unemployment. On the other hand, the fifth peak, which was mainly due to a lock-out in the engineering trade, whatever its remoter consequences may have been, was not accompanied by an increase in the number of persons registered at the Exchanges as being out of work. The reason for this difference is clearly that, whilst a shortage of coal must inevitably cause a sudden contraction of industry throughout the country, a deficiency of engineering products is much slower, and therefore less clearly defined, in its effect.



1919 Trade Improving

1920 Trade Improving

1921 Trade Declining

# CHART showing relation between STRIKES and LOCK-OUTS and UNEMPLOYMENT

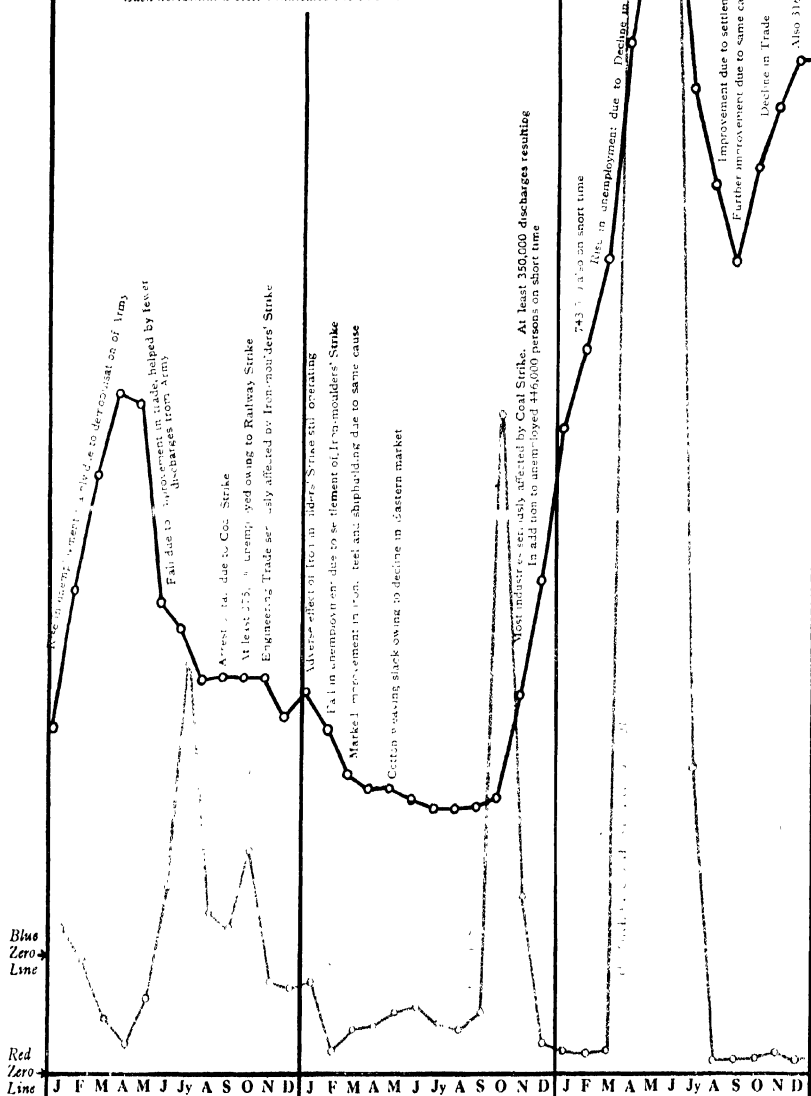
Red line represents number of working days lost through stoppages

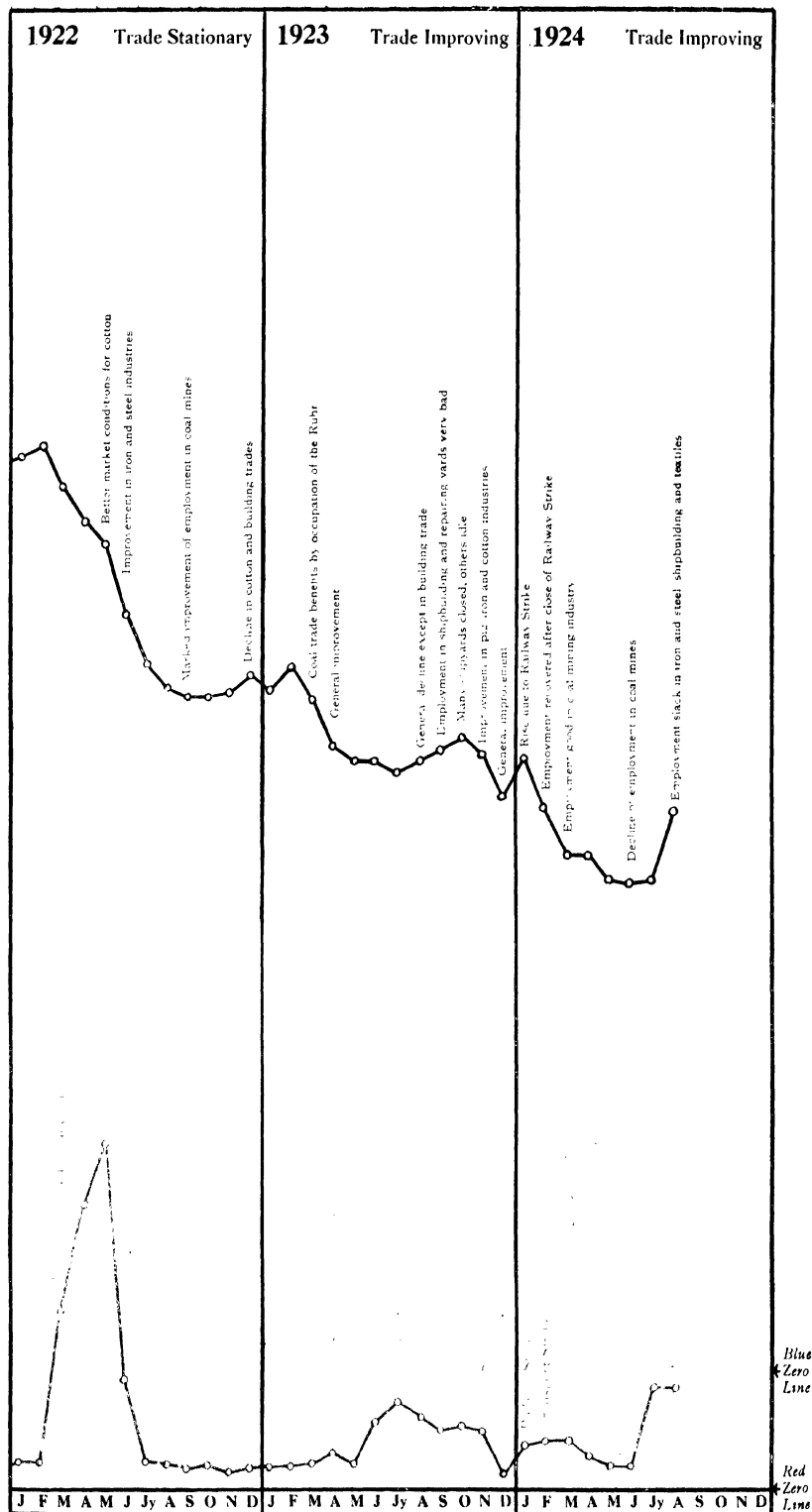
Each vertical division = half a million days

Blue line represents number of persons out of work as registered at Unemployment Exchanges

Each vertical division = 50,000 persons [Individuals on strike or locked out not included]

Each horizontal division indicates one calendar month









It is unnecessary to repeat information already incorporated in the chart, but attention may here be drawn to the case of the iron-moulder's strike, which, though responsible for a great deal of unemployment, makes little or no shewing in either graph. This dispute began in September, 1919, and lasted until the following February, during which period an ever-increasing shortage of castings seriously hampered associated trades. But because the number of workers directly involved in the dispute was comparatively small, and because the dearth of castings was gradual in its effect, no visible indication of the disturbance attributable to that cause is apparent.

In estimating the significance of the influence upon employment of the trade boom of 1920, it must be remembered that the revival in question was one of prices rather than one of production. The Board of Trade returns show that the total turnover of British merchandise trade for the calendar years 1918--1923 was as follows (not including bullion and specie):

Year 1918	£1,849,000,000
1919	£2,590,000,000
1920	£3,490,000,000
1921	£1,897,000,000
1922	£1,828,000,000
1923	£1,924,000,000

For the reason already mentioned these figures must be discounted considerably before we can get an accurate picture of the course of trade from the producer's point of view. For our present purpose, however, it is sufficient to note that trade was rising during 1919 and 1920, falling during 1921, stationary during 1922, and rising during 1923.

The comments printed upon the face of the chart are abbreviated extracts taken from the *Labour Gazette* during the last six years, and therefore may be regarded as authentic. Their value would be less considerable if they represented no more than the opinion of the writer, propounded with the object of supporting a specific line of argument.



## MACHINERY OF INDUSTRIAL PEACE.

THE path of the social reformer is never smooth. When his proposals are translated into Acts of Parliament they set up reactions which were either not foreseen or the reverse of the expected. The system of land taxation brought into operation while Mr. Lloyd George was Chancellor of the Exchequer was intended partly to bring land into the market, secure a plentiful supply of cheap building sites and thereby facilitate the movement towards providing adequate housing conditions or abolishing slum areas. The actual result, we are informed, was to destroy building enterprise, create a famine in houses, and intensify the housing difficulties of the post-war period. Whether or not this is a correct interpretation of recent history, the fact remains that the land taxes have now been abolished. When the Trade Boards Act was passed and afterwards extended, we thought that the days of unduly low wages were numbered, and that throughout the industrial world the relationship between the wages paid in different industries and occupations would be so adjusted as to satisfy current criteria of equity. But some of the Trade Boards found themselves on the horns of a dilemma. If they established minimum rates which compared not unfavourably (having regard to the nature of the work) with those prevailing in organised industries, they found that such rates imposed too heavy a strain upon the capacity of the industries, which, in some cases, were subjected to severe competition from abroad, or from industries producing alternative commodities which might be substituted for those provided by the industries controlled by the Trade Boards. The alternatives were therefore to proceed so slowly as to create dissatisfaction among ardent and impatient reformers, or to proceed so rapidly as to create a considerable amount of unemployment among workers who preferred work at low wages to idleness and more extreme poverty. Moreover, even in industries in which the labour organisations were regarded as sufficiently strong to protect their members, we now find that trade conditions have been so profoundly modified as to destroy the old relationship between the wages of different categories of workers. A further illustration of the difficulties of social reformers may be found in the period of industrial control during the war. When it was found that the loyalty of skilled engineers em-

ployed on time work was rewarded by relatively low wages most people agreed that they were unfairly treated. But the remedy proved worse than the evil. The bonus of  $12\frac{1}{2}$  per cent. was a fertile source of unrest, and produced more industrial disputes and more bitterness than any other factor in the history of the present century.

Reformers have attached much importance to machinery as a solvent of industrial and social problems. The first elaborate machinery to be set up was the Labour Exchange. During the depression of 1907 it was held—and rightly held—that one important cause of unemployment was the fact that people did not know where work was to be found or workers secured. The labour exchange was intended to solve the difficulty by acting as a sort of retail shop or market where buyers and sellers of labour could meet. But our early experience of labour exchanges was not encouraging, and they would have died of starvation if a new form of nourishment had not been found in unemployment insurance. Another step was taken shortly before the war. The Industrial Council was intended to form part of the machinery of conciliation and expected to do much to promote the interests of industrial peace. But it was never used as a consulting or negotiating body, and became merely a committee of investigation. During the war it was completely ignored, but afterwards, in 1919, its potential value was recognised by the National Industries' Conference, which urged the Government to set up a strong, representative Council. The request was refused—at any rate no such Council was formed. The Government, however, showed that it attached value to machinery by passing the Industrial Courts Act, providing for the establishment, under certain conditions, of Courts of Inquiry and Courts of Arbitration.

Voluntary Conciliation Boards, Whitley Council, Trade Boards and the Industrial Courts Act supplied what appeared to be an adequate machinery for securing and preserving industrial peace. It was—and is—difficult to see what more can be done in this direction. But industrial peace has yet to be secured. Adequate machinery alone cannot bring peace, either between nations or between other groups whose interests are, or appear to be, in conflict.

What, then, is lacking? There are obviously two other conditions of peace. One is an accepted standard of justice, the other a knowledge of the facts. In the sphere of industry we may assume a common desire for justice in the abstract.

It should not be too difficult to define standards : but this can only be done by patient study of the facts, including the consequences of action. Suspicious workers once argued that a 'capitalistic' government would never secure 'justice' for the workers. The advent of a Labour government might therefore have been expected to prove a powerful influence favourable to peace in industry. Such, however, has not been the case. Power has brought responsibility, and the necessity for a careful examination of facts and forces. It has also brought disillusionment. It has shown to what extent we are masters of our fate, and to what extent victims of forces beyond human or national control. We believe that similar study would produce similar results everywhere.

Let us not be misunderstood. We are far from suggesting that employers are always right and workers always wrong. Investigation might reveal the fact that employers are wrong no less frequently than their employees. The reports of Courts of Enquiry during the last two years are no less creditable to one side than to the other. The need for study is equally serious on both sides. Employers, it may be added, are in a position of even greater responsibility than those whom they employ, for they are in a better position to ascertain the relevant facts. They have fuller information, which they may reveal or withhold according to the effect which it produces upon their argument. Moreover, being on the whole better educated and more widely travelled they ought, at any rate, to be more keenly aware of the wider aspects and social effects of their policy, and more fully prepared to accept the immediate consequences of right action. Education in industrial affairs, we repeat, is the most serious gap to be filled.

There remains, however, one further consideration. We have established what seems to be an adequate machinery or agency for promoting industrial peace. But we have not yet learnt how to use it properly. The leaders are less prepared than was once the case to come to a final agreement without ventilating their case in public, and they therefore appeal to a public tribunal. The cynic might say that they must appear in the public eye at intervals in order to strengthen their own position with their constituents. And it may be admitted that publicity—a form of self-advertisement—is too often successful as a policy for the ambitious, self-seeking leader. But we cannot accept such a statement as a full explanation of the frequency of strikes and threats of strikes during the last couple of years. Nor is the explanation to be found in the conditions

of employment. For the majority of recent disputes have occurred not in those trades where wages are relatively low but in those where they are relatively high—building and transport. We believe that the impression has been created that no Court of Inquiry will send the workers away empty handed. It is felt, probably, that if they ask for anything at all they will secure something, and that the more they claim the more they will secure. The Courts are believed to work on the assumption that there can be no smoke without fire. They are expected to 'split the difference,' and that, at the worst, they will give a consolation prize, or something to 'save the face' of the claimant. If it is true that trade unions are beginning to submit claims as an experiment to Courts of Inquiry then we may expect a fairly difficult period. But it may be assumed that sooner or later some of the courts will deal full measure to those who make frivolous applications, and to those who offer foolish opposition to just claims. When that stage is past we may reasonably expect the machinery to work smoothly and well. The industrial facts which courts of inquiry and arbitration elicit and publish, and the principles which gradually emerge and are accepted as the basis of their decisions, will do much to clear the air. Valuable precedents will be established which will inevitably react upon discussions in private sittings of voluntary conciliation boards. The latter will be more ready to conclude agreements, for they will be able to estimate, by reference to precedents and implied principles, the probable findings of a public court of inquiry, and therefore prepared to anticipate them in their voluntary agreements. Each side, knowing what facts it would be called upon in any case to submit to the outside body, will be ready to submit them to the other. Each side, knowing which of its arguments would command respect from the court, would support its claim only by relevant and important argument. Thus it may be suggested that in due course one of the most valuable results of the present machinery of conciliation will be the effect it produces, in advance, upon private negotiations in conciliation boards. But if that result is to be achieved, leaders must once more become leaders in fact, by assuming the responsibility of leadership. There is now a danger lest the Courts of Inquiry should be used in some cases merely to assume responsibility for a settlement the terms of which are beyond discussion, but which the leaders dare not accept in case they offend influential groups among their constituents.

## APPRENTICE OR DILUTEE :

### A Further Consideration of the Building Industry.

THE proposals of the Building Industry for increasing the supply of labour for housing, are not as yet adequate, but with goodwill should be capable of development to reconcile the requirements of the industry with national needs, and to produce proposals which will both satisfy the demand for houses, and meet the reasonable claims of workmen and employers for security of employment and conditions. The Committee which represented the industry have preferred an extension of apprenticeship to the adoption of dilution, and the rejection of the latter can readily be justified.

For in fact, the objections to dilution, if not obvious on the surface, are strong. The policy commands the support neither of employers nor workpeople and, for this and other reasons, previous proposals of a similar kind have been rejected by the industry. The men have the fear, which seems by no means unfounded, that however carefully it is organised, dilution will lead inevitably to the overstocking of an industry and to future unemployment. Thus, war-time dilution in the engineering and munitions trades was followed by "an abnormal flow of labour into such industries, which grew out of all proportion to the subsequent requirements of peace: the weakness of such workers and their Unions at the present time is due, in part, to the one-sided development which then took place" (*Industrial Peace*, July, 1924, p. 130). The building tradesmen are not unnaturally apprehensive that similar conditions in their industry will lead to similar results, and the more so that the proposed male dilutees will be less easy to remove from it than were most of the female workers introduced into engineering during the war. As the Building Industry Committee rightly point out:—"it is primarily necessary to restore the confidence of both employers and workmen in the future of the industry by providing the most stabilised conditions possible." (Report Cmd. 2104, p. 9). As things are, the introduction of dilution would effectively prevent the growth of a sense of security so far as the workmen are concerned. Indeed to force upon them a method of recruiting of which not they only, but nearly all classes of skilled workmen, are suspicious, would inevitably have the opposite effect.

Relations in the industry, as the recent prolonged stoppage has shown, are not altogether satisfactory; and to introduce, contrary to the wishes of the workmen, so unpopular a method is likely to make matters worse, and so give a further serious setback to hopes of peaceful co-operation. Insistence upon dilution in the Building Industry would override the desires of both employers and workpeople in a way which only the strongest necessity, or the absence of an adequate alternative, could justify.

Now, in the scheme of the Building Industry Committee, the representatives of the industry believe themselves to possess a policy which can increase the labour supply through the apprenticeship system; and, so far, they appear to be right. The question, therefore, turns on whether their actual proposals are adequate to achieve their purposes.

It is proposed to augment the supply of skilled labour in the industry by largely increasing the proportion of apprentices to journeymen on all contracts under the housing scheme, and to reduce the term of service. The proportion is to be one to three journeymen, in place of a normal proportion of from one to four to one to seven, the actual numbers to be adjusted according to the needs of individual branches of the trade and to the extent of the shortage, which is most severe in brick-laying and plastering. The term of training will be 'not less than four years,' which in exceptional cases may be reduced to three, compared with five years or more in normal circumstances. At the same time the maximum age of entry is raised from 16 to 20, and an improved scale of apprentices' wages is suggested. It is further to be a condition of all housing contracts under the scheme that the employer takes the full quota of apprentices, and provision is made to spread the contracts, in order to enable as many employers as possible, large and small alike, to participate in the scheme. Housing schemes, however, cover only part of the industry. So an attempt is to be made to secure that, in other classes of work, firms shall take the full numbers of apprentices allowed by existing rules, which is far from being the case at present.

The main criticism of this scheme is that it cannot provide any appreciable increase in skilled labour: but the justice of this contention seems doubtful. The scheme, to begin with, provides for a proportion of apprentices nearly double the normal figures, on all housing contracts. Nor is this all. More careful supervision of apprentices should reduce wastage below the normal, and the shorter period of service will enable

fresh relays of apprentices to be taken every four, instead of every five or more, years, and so, over a period of years, will further increase appreciably the numbers trained. Moreover, the increase will be cumulative, that is to say, as the number of skilled men increases, that of apprentices will increase likewise, so that in the later years of the period the additions to the number of skilled men will be larger than in the earlier years. Thus over the whole period there seems little doubt that an increase in labour will be secured by this means and by the provision for increasing the numbers of apprentices in other branches of the industry. But it is essential that these arrangements shall be fully carried out, and they may have to be developed still further.

So far, therefore, the criticism of the scheme seems to fall to the ground. It is also argued that the increase can only be gradual, and will not make itself felt for some years. In this there is more truth, and a somewhat slower increase in the earlier years appears to be one of the few things to be debited against the otherwise superior advantages of apprenticeship. Nevertheless the increase should be considerable, as soon as the training of the first relay of apprentices is completed. Moreover, with proper organisation, the apprentices themselves should be able, whilst training, to add appreciably to the output of the industry, and in the later years of their service at any rate, should prove as valuable, man for man, as the less skilled dilutees.

Other parts of the scheme are much open to criticism. The starting age limit of 20 is a serious defect, and excludes, in particular, many of those whose chances of training were most seriously prejudiced by the war. Experience in training disabled men has shown that, with proper supervision and teaching, older men can be successfully trained up to the age of at least 25 or 26. The limit of 20 will unduly narrow the field of choice and may even make it difficult to secure sufficient numbers of capable apprentices to train. What is needed is a real system of adult apprenticeship. This the scheme does not give us in its present form, and therefore a raising of the age of starting is essential.

Secondly, far more definite provision is required for training and for supervising the apprentices. The conditions of small house building, in particular, are not calculated to give the all round experience needed by the fully-skilled craftsman; and care must be taken to secure this either in the workshop or the technical school. Otherwise one of the main objects of apprenticeship will not be secured.



Provided, however, that these and other improvements can be carried out, the apprenticeship scheme shows no inferiority as compared with dilution. On the other hand, it possesses many decided advantages, not only in regard to the present housing problem, but for the whole future of the industry. The Apprenticeship system will leave the industry at the close of the period with a well-trained staff of skilled workers, and will make good the loss of skilled labour brought about by the depression of 1904-1914 and by the war. It will thus help to raise permanently the status of the craft. Dilution, on the other hand, whilst it may meet the actual shortage, will do little to increase the supply of skilled labour, and will lower, rather than raise, the standard of craftsmanship. Thus, whilst dilution may at first provide houses more rapidly, apprenticeship, by providing more skilled labour, is likely to produce better houses, and, after a few years, to provide at least as many as dilution will.

Moreover, there will still be the work of improving existing houses and raising the general standard of housing, after the shortage has been made good. This work will involve much in the way of renewals and repairs, and will be far more varied than the wholesale production of small houses. For this trained and skilled labour will be needed, capable of readily adapting itself to all requirements. Consequently the dilutee is likely to prove less suited to the permanent needs of the industry than the trained apprentice.

Finally, a proper scheme of adult apprenticeship means a real attempt to improve and regularise the training. Such an improvement may well lead to a corresponding betterment in the general conditions of employment, provided that the labour is sufficiently skilled to justify the re-organisation.

The position, therefore, is that the present proposals can be developed into the system of Adult Apprenticeship that is required, but do not, as they stand, provide such a system. They need to be extended, broadened and re-organised. Above all, the spirit in which they are to be worked is vital. If it is that which has inspired recent happenings in the industry, the prospect is not hopeful. But, with goodwill and co-operation on both sides, to interpret the proposals generously and carry them out vigorously, the solution of the housing problem should be in sight.

## WHY ESQUIRE ?

THAT half-moment of hesitancy before one addresses an envelope Mr. John Bull, John Bull, Esq., or plain John Bull must have been experienced at some time or another by all but the resolute challenger of convention. What is it that passes through the mind of the writer at that instant? Is it not a lightning estimate of the social consideration that our correspondent will expect as his due? If such is our sad case let us probe into the matter a little deeper and enquire on what ground the claim is based; not, of a certainty, as a tribute to his moral excellence, for we are as lavish in serving out this bastard compliment to blackguards as to saints. What then? Are we not bound to confess that our criterion is nothing better than a snobbish regard for comfortable "circumstances?"

Honours, alleged to be bought, come in for much public criticism now-a-days, but for paltriness and cheapness nothing compares unfavourably with the vulgar pretension of a man who, at no pecuniary expense and at the cost of no effort or achievement, desires to be labelled as differing from his poorer countrymen.

It is to be hoped that only a very small minority entertain so ignoble a desire, and that the rest of us are merely cowardly acquiescers in the vogue of a bad habit. That nobody thinks it worth while to protest against this piece of snobbery, on the score of its being too much trouble, may be true, but there is no adequate reason, we know of, why Britain which, in reality, deals less in class-consciousness than any continental country, should cling to a meaningless class distinction which survives nowhere else in Europe. Cannot our women help to rid us of this reproach? Fortunately, custom has not tarred them with the same brush, Miss Bull, the sempstress, being happily indistinguishable from Miss Bull, the "lady of independent means," so far as her prefix goes. The Chancellor of the Exchequer is supposed to pass sleepless nights exploring new avenues for taxation. Why doesn't he tax Esquires instead of dogs? There are more of them to the square mile, and a guinea would be little enough to pay for the privilege of being dubbed "Escuyer" (*anglice*,—shield-bearer) some half a dozen times a week. The top-hat as a haloesque token of respectability has lost much of its spell. Isn't it time that "Esquire" should follow suit?

## THE NATIONAL INSTITUTE OF INDUSTRIAL PSYCHOLOGY.

UNTIL the employer and the manager, aye, and those who as a class work with their brains rather than with their bodies, are at least in part cognisant of the mental processes which normally go on in the mind of the worker, we cannot look with any confidence for a cessation of industrial unrest. For, however true it may be that the satisfaction of men's desires are in the end governed by economic facts, still economic facts themselves are largely dependent upon human nature so that the problem of industrial peace has a moral and a psychological side which are both at least as important as the economic problem. It is impossible, therefore, to over-rate the value of the work which is being done by the National Institute of Industrial Psychology in elucidating and emphasising the psychological aspect of the question.

As the President, Lord Balfour, recently remarked at the first dinner given by the Institute, "when the engineer, the inventor, the chemist and the physicist have done all that can be done," there still remains "a great margin to be dealt with where they have no jurisdiction, where they can give no help, but where undoubtedly a great, an unnecessary burden is thrown upon the worker—a burden which can be removed by judicious, skilful research, and which, when removed, is first of all a benefit of incomparable magnitude to the worker himself, and then to the community of which he is a part."

The Institute, which was founded in 1921, is briefly a scientific association for promoting the study of the human side of labour and for putting into practice the results of such knowledge. Research work, carried on by a staff of trained psychologists, forms therefore, the most important department of the Institute's activities. But the application of the knowledge thus acquired covers a wide field. One branch is devoted to the giving of vocational guidance to adults and children, many of whom are sent to the Institute by hospitals, training colleges, school masters, probation officers, and welfare societies. Each applicant is tested, not only for general intelligence, but in order to ascertain his aptitude for particular trades or professions. In addition to these occupational tests, as they are called, the Institute's investigators have evolved two new series of group-tests applicable to individuals

of superior ability, and which are also used for the assessment of temperamental qualities. In a world wherein innumerable square pegs are miserably mis-fitted into round holes, the value of this scientific advice to youths who are hesitating as to the choice of a trade is obvious. To quote Dr. G. H. Miles, the Assistant Director of the Institute, "The widespread nature of the movement shows the general dissatisfaction felt with the old haphazard methods of taking up an occupation. Scientifically conducted vocational guidance is rapidly becoming an integral part of the social life of the modern State, and the success which has been achieved by the application of the methods of experimental psychology to the more limited problem of selecting suitable workers for numerous clearly defined industrial and commercial occupations, has demonstrated the unlimited scope of these methods in the much wider sphere of vocational guidance." The work of the Institute in this section includes the application of occupational tests in four London Trade Schools, in two engineering firms in the north of England and in one dressmaking business.

The introduction of efficiency methods into factory organisation is another and not less useful side of the Institute's work. When the Institute was started three years ago the suggestions made by its executive for the improvement of appliances and the economy of human energy in the processes of manufacture were received with almost universal indifference. But since its investigators have given practical demonstration in various enterprises of the value of their proposals, that indifference has been replaced by a constant stream of enquiries and invitations. In its recent report details are given of numerous concrete cases where increases in output, varying from 16 to 40 per cent., have resulted from the application of time and motion studies among the workers and from the re-arrangement of equipment. Letters are published from such well-known firms as Messrs. J. Lyons & Co., Rowntree & Co., and Hovis Ltd., bearing witness to the saving of material and man-power effected in the course of the Institute's investigation. In the case of Messrs. J. Lyons, breakages of glass and china in tea-shops, which "represented a heavy annual loss," have been reduced 53 per cent., while increases in efficiency of manual work amount to 30 and 35 per cent. Problems of illumination, temperature and ventilation also come within the scope of the Institute's enquiries, improvement in the lighting arrangements being responsible for a 10 per cent. increase of output in a sweet-packing factory

and 14 per cent. increase in coal getting. The re-organisation of a Lancashire coal mine is one of the Institute's most conspicuous successes. The work was carried out not only at the coal face, but in the screen room and also in the Psychological Laboratory of Manchester University, and has inspired an invitation from the Mining Association of Great Britain to the Institute to extend its investigations into numerous other coal mines throughout the country.

The policy of the Executive Committee has been to avoid as far as possible being drawn into the thorny question of wage adjustments. Investigators are thus able to secure the co-operation of the workers in the introduction of efficiency methods, by offering them simply as a means of doing better work with less effort, which is of course the essence of true efficiency. The presence of well-known labour leaders upon the Council of the Institute is a guarantee that the true and wider interests of the workers will not be overshadowed, or the work of the Society subordinated to the interest of the capitalist as *opposed* to that of the worker. At the recent dinner, Mr. C. T. Cramp, General Secretary of the N.U.R., expressed cordial appreciation of its work in his speech. "You are sending out skilled investigators," he said, "you are collecting data, and you have already been able to give very material help to the workers, which in its turn benefits the employers. But there are one or two points that have been mentioned to me as being part of your work, particularly that point which deals with the guidance of young persons as to the kind of profession for which they are best fitted. No one else I believe is doing that work. The fact that you are doing it seems to me a very great one. I understand also that you believe it necessary in order to promote the happiness of the worker, that he should have confidence in, and that he should work smoothly and happily with, those who are set over him to supervise his labours. I speak from practical experience when I say there is no more important thing than this required in industry to-day."

As the name of the National Institute of Industrial Psychology indicates, those who are directing its labours are fully aware that man does not live by bread alone. The revolt of labour may, and frequently does, take the form of a demand for higher wages—higher often than industry can bear. It is nevertheless fundamentally a psychological revolt, and as such it can only be cured by a remedy which answers the psychological needs of the worker. Such are the remedies which the

Institute investigators are out to find. They are not concerned to fix the blame for such manifest evils as waste and low output upon either employers or employed. They aim at enlisting the sympathy and co-operation of all parties in industry, including the trade unions, in their efforts for the advantage of all.

Apart from the actual achievements of the Institute staff in every sort of industrial establishment, its work cannot but have a great educative influence. It is a continual demonstration of the benefits to be reaped by the application of the discoveries of psychological science to industry in general, and to the individuals engaged therein. It is, moreover, a lesson of which we are as a nation sorely in need. We have been, and are still, slower to realise the inestimable service which science can render to industry than are either Germany or the United States. Less than ever to-day can we afford to lag behind our trade rivals in this respect. The future is to the industrially efficient, and true efficiency cannot afford to neglect any science. For this reason alone the work of the National Institute of Industrial Psychology deserves the support of every class in the community.



## FOOD FOR THOUGHT.

THAT the embarrassments of the workers in Russia are severe is only too clear from the most recent advices of the International Labour Office. In May last the Central Committee of the Russian Water Transport Workers' Union and the Congress of the Russian Building Trades considered reports on the conditions in the two industries. The importance of water transport in a vast flat country with many great rivers and few railways will be readily understood. But the conditions in water transport are so poor that it is doubtful if the skilled men can be kept in the industry. The living conditions are bad generally: the credits required for the construction and repair of crews' quarters have not been granted. Only half of the Union's members are covered by social insurance, chiefly because the administrations of the transport services pay their contributions very irregularly, and very heavy arrears are outstanding. Unemployment is intense and has taken on a permanent character: 37.5 per cent. of the members of the Union are unemployed at present.



In the building and public works industries conditions are equally lamentable. Wages average about 80 per cent. of the minimum living wage established by the State. Engineers' wages are between 20 per cent. and 30 per cent. of the pre-revolution wage. The steady rise in the cost of living, and constant delays in the payment of wages due, make the plight of the workers still worse. The system of regulating Labour moreover is undeveloped, only twelve agreements being in force. Many of the clauses of agreements concluded with the State Building Administration exist only on paper and are never applied. The workers, apparently, are not consulted at the drafting of these agreements. There is no general agreement with the Commissariat of Ways and Communications: the necessity for the conclusion of such an agreement is evidenced by the great number of disputes arising between the Union and the Commissariat. The general conditions are bad, especially in respect of housing and the issue of special clothing. In the Donetz basin, for instance, workers dwellings are partially in ruins, the inside temperature being below zero in winter. The delegates from the Crimea complained that "the roads are in such a bad state that all circulation will soon be impossible." These disclosures from a veiled country

match the information which we gave in our June number ["Food for Thought"]. They suggest that it might be wiser to put the affairs of Russia in commission than to grant a loan to a Government, the very principles of which ensure an almost incredible degree of incompetence.



Mr. John Lane published a few months ago an Australian book, *Wage Slavery* (5/-), by Mr. J. K. Heydon, whose diagnosis of the causes of Labour unrest in Australia is well worthy of the attention of students of industry. He holds that for the industrial problem, which is a moral problem, Socialism is no solution at all: that is, that the abandonment by employers and workpeople of the attempt to secure justice and humanity in the immediate relationships of work, and their reliance on the State to use its authority to mitigate the rule of force and condone their resort to force, is a policy just as futile as cynical. If justice and humanity cannot be secured in the sphere of personal contact through work, they must lose all along the line. The justice which employers and workpeople must work out freely for themselves has three phases, justice in wages, justice in the division of ultimate surplus profits, and justice in questions of Capitalisation. The first calls for no remark. The second involves a willingness on the part of Capital to surrender its claim to the whole of an ultimate surplus. Mr. Heydon quotes the profit-sharing scheme of Messrs. J. T. and T. Taylor of Batley as exhibiting his principle, viz., that when the fair claims of Labour and of Capital have been fully and generously met, the remaining surplus should be divided in some specific proportion between the parties. As things stand Boards of Directors choose between high scale dividends and the accumulation of large reserves, which later often end by being capitalised in bonus shares. This method, Mr. Heydon thinks, imposes on labour an unfair task which is all the greater because no companies, or very few, capitalise reserves or any other form of capital but ordinary shares of unlimited right to dividend.

We agree with Mr. Heydon that profit-sharing and Socialism are opposed ideas. His analysis of domestic justice in industry, freshly and pointedly written, focuses the problem in such a way as to win and convince the reader.



The example of the American Trade Unions in taking up banking, to which we referred in "The Rise of Labour Banks



in America" (*Industrial Peace*, April, 1924), has already begun to bear fruit on this side of the Atlantic. The central organisation of the Austrian co-operatives, in conjunction with the Trade Unions and other working-class agencies, has founded the "Arbeiterbank, Aktiengesellschaft, Wien." A similar undertaking, the "Bank der Arbeiter Angestellten und Beamten Aktiengesellschaft," has been founded in Germany. As long ago as 1912 the formation of such a bank was discussed, but in view of the difficult circumstances of that time it was not carried out. The step which has now been taken is indicative of the political and industrial advance which the German working-class movement has made in the last ten years, and also of confidence in the economic situation. Considerable prominence is given to these new foundations, with generous acknowledgements to America, in *Die Arbeit*, August, 1924, a new Trade Union monthly. The same number contains an article by Professor Sinzheimer entitled "Der Kampf um das neue Arbeitsrecht" (the Fight for the new Workers' Laws), from which we quote the following:

"When the old autocratic state collapsed in Nov., 1918, the task of Reconstruction involved not only new political but also new social legislation. The two most prominent demands were the demand for the nationalisation of the industries and the demand for new industrial legislation (*arbeitsrecht*). The first demand, we know, has failed, and for several reasons, . . . in particular the state of the industries themselves . . . and the state of men's minds. . . . Socialist thought had grown strong in the fight against the autocratic state. This fight, and not any creative advance, was the prime interest of the Socialist movement. Socialist thought was really concerned with the analysis of Capitalism and not with the construction of concrete forms of Socialist organisation. Thus it has happened that even to-day there is no clear idea of what nationalisation (*Sozialisierung*) means, and a basis of theory on which to found Socialist practice is not yet available."

These admissions are valuable. We have always contended that the Socialist criticism of the Capitalist System is exaggerated and false, and that when the Socialists have finished "damning the inevitable" they have no positive policy of reconstruction wherewith to supersede Capitalism.

The *Arbeitsrecht* referred to above is of course the body of laws covering such things as Works Councils, Wage Agreements, arbitration, etc., which have been passed since the Armistice, and which carry out the ideas of Whitleyism with the general aim of improving the Capitalist system.

## DAY BY DAY.

*‘A daily Record of the principal events which have a direct bearing upon the maintenance, or otherwise, of peace in industry).*

**Sept.** The Ministry of Labour index figure shows the cost of living  
**1st.** to be 72 per cent. above that of July, 1914—one per cent. lower than the corresponding figure for September 1st, 1923.

Recorded changes in rates of wages during August resulted in an aggregate reduction of nearly £114,000 in the weekly full-time wages of 760,000 workpeople and in an aggregate increase of £55,000 in those of 628,000. Ninety-six trade disputes involved the idleness of about 150,000 workpeople and the loss of about 2,000,000 working days.

Employment continued to decline during August. The percentage unemployed amongst Insured workers was 10.6 at August 25th, and 7.9 amongst Trade Unionists. The total number registered as unemployed at the Employment Exchanges was 1,152,000.

The 56th annual Trades Union Congress commenced its session at Hull. Mr. A. A. Purcell, in his presidential speech, impressed upon members the necessity for relying only upon trade union organisation and urged that their first task was to secure complete efficiency within the unions. For the rest his address, characterised by its lack of balance and distortion of facts, served the purpose of rousing the sentiment of hate against all classes other than that represented by those assembled. The Communists, represented by Mr. H. Pollitt, were severely defeated in an attempt to pass a resolution censuring the Government and demanding that a Labour Government should use its power solely in the interests of the people represented by the Congress.

**2nd.** Covent Garden Dispute: The Court of Inquiry appointed by the Ministry of Labour held its first meeting. Mr. John A. Compston, K.C., presided. Mr. Ernest Bevin, General Secretary of the 'Transport and General Workers' Union, stated the men's case. He denied any political motive, stating that the men went out on strike unofficially. The union would not have supported the men on a wages question only, but took action when it was evident that the employers would insist upon their right to employ men in any union. He accused the employers of retaining the greater part of the money paid by the public for portorage. His union had done all it could to prevent a stoppage and was still ready to submit the whole claim to arbitration. He denied having used the threat of the strike in previous negotiations but said that the employers had

made preparations to meet the emergency of a labour stoppage weeks before the strike began.

T.U.C. An attempt by Mr. Pollitt to get the 'Congress to vote for an immediate affiliation with the Moscow International was easily defeated and a resolution to provide for the direct representation of Trades Councils in Congress was also rejected almost unanimously. Mr. Ben Tillet in moving an emergency resolution reaffirming the "constitutional right" of Trade Unions to call sympathetic strikes, made the strange assertion that the employers had divided the workers into 2,000 unions. By a practically unanimous vote, an important change was made in the functions of the General Council. A new standing order makes it obligatory on all unions to keep the Council informed of all disputes. The Council will only intervene when requested, unless there is no prospect of a settlement, in which case it will take the initiative in intervention and report to Congress if the Union refused its advice. In cases where unions accept its assistance and advice the Council is to organise all necessary moral and material support.

3rd. T.U.C. The Industrial Workers' Charter was unanimously accepted with certain amendments. The Charter calls for the nationalisation of land, mines, minerals and railways, the provision of social necessities and services by municipal enterprise, the adequate participation of the workers in control and management, a 44-hour week, a minimum wage, adequate maintenance of the unemployed, proper housing accommodation, full educational facilities, State pensions for all at the age of 60, and for widowed mothers, and adequate compensation for industrial accidents and diseases.

Covent Garden Dispute: In discussing the claim for a minimum wage of £4 5s., Mr. Corner (representing the merchants) stated that this wage was demanded as a minimum for young and old, competent and incompetent, during the slack months. The merchants claimed that (1) the minimum should be a flat rate for the whole year and (2) it was unfair to pay the same rate for skilled and unskilled work. Mr. Corner said it could be proved that under existing conditions the men were paid an average of £5 a week all the year round. Other witnesses for the employers presented audited statements showing that porters had been paid this average during the last audited year. It was repeatedly stated that work had been rearranged and that there was little likelihood of re-employing all the strikers. While Mr. Bevin showed considerable anxiety and willingness to re-open negotiations, the employers' evidence inferred that, so far as they were concerned, they were independent of the men on strike.

4th. T.U.C. Speeches by foreign delegates occupied most

of the session. Mr. Tomskey, President of the All-Russian Council of Trade Unions and a member of the diplomatic body employed here by the Soviet Government in recent negotiations, gave a long and tactful address, in which he astutely flattered the British trade union movement, ascribing much of the Russian "success" to the "Down with War" and "Hands off Russia" movements in this country. He pleaded for toleration of the ideas of the Moscow International, which, he said, stood for 10 million workers and should be accepted as a fact if progress were to be made towards international unity. Mr. Peter Brady (American Federation) was apparently not deceived, for in his speech, which followed immediately, he stated that American Labour was non-partisan in American politics, but in the rest of the Labour world it was equally opposed to Kaiserism and to Bolshevism or any other form of despotism. Mr. J. A. McClelland (Canada), said he had been specially sent to warn British labour against emigrating to Canada. There was no work there. Last year 133,000 people emigrated to Canada, but 183,000 emigrated from Canada to the U.S.A. in search of work.

5th. T.U.C. A resolution was carried empowering the General Council to spend £1,000 on propaganda to secure improved conditions for rural labour. A resolution was passed congratulating the Government on the Anglo-Russian Treaties of August 8th, 1924. Mr. J. Bromley moved a resolution instructing the General Council to draw up (1) a scheme for organisation by industry, (2) a scheme which may secure unity of action without the definite merging of existing unions by a scientific linking up of the same to present a united front. The resolution was carried by 2,503,000 votes to 1,428,000. Mr. Fred Bramley, Secretary of the Congress, made an emphatic protest against an article in *The New Leader*, the organ of the Independent Labour Party, in which Mr. E. E. Hunter criticises the T.U.C.

6th. T.U.C.: A proposal to request the Labour Party to conduct an inquiry into the relative advantages to be derived from free trade, protection and Imperial preference was defeated. It was held that free international commercial intercourse should be aimed at and that it should be secured by such means as the exclusion of non-union labour goods. The Boot and Shoe Operatives' Union made a further attempt to get Congress in favour of giving national Joint Industrial Council agreements the same validity as awards under the Trade Board Acts. Congress rejected the proposal on the ground that it would be the beginning of compulsory arbitration, and proceeded unanimously to affirm its opposition to compulsory arbitration and to declare that it would in no circumstances permit any interference with the right to strike.

- 8th. Covent Garden dispute: The concluding session of the Court of Inquiry was devoted to a consideration of the threatened stoppage of work at the ports. It was established that there was no dispute between the Union and the Port employers and it was apparently held that the question of whether sympathetic action was or was not a contravention of national agreement must be decided by the Joint Industrial Council.
- 10th. Electrical supply workers' wages. The special tribunal appointed by the National J.I.C. of the industry to investigate the dispute arising out of a claim of 10s. advance in weekly wages opened its inquiry.
- Mr. Rowan, General Secretary of the Electrical Trades' Union, explained that a flat rate all-round increase of 10s. per week for 29,000 men was made on the ground that the nature of the work warranted the advance, that the industry could afford it and that unjustifiable reductions had previously been made. Mr. W. Walker, Chairman of the J.I.C. for the industry, speaking on behalf of the employers, said that the electricity supply industry was paying rates of wages in excess of any comparable industry within the district areas. The rate of interest general in the industry was not more than 5 per cent. Mr. Banks asked the Court to accept the principle that wages in the respective areas must be the determining factor.
- 12th. Electrical supply workers' wages: It was stated in evidence that the average wages in this industry are now 125 per cent. above the 1914 level, and that the increase in wages in the South Wales area would adversely affect miners' wages in those collieries supplied by electricity undertakings as it would raise costs of production by about  $2\frac{1}{2}$  per cent.
- 14th. Covent Garden dispute: The report of the Court appointed to inquire into this dispute was published. In the opinion of the Court the employers created an unfavourable impression by their refusal to meet the Minister of Labour, and after hearing all the evidence the Court considers that the most complete disclosure of all the circumstances cannot weaken their position, and it recommends the employers, failing agreement by conference with the union, to submit the matter to arbitration.
- 15th. Electrical supply workers' wages: The inquiry was concluded after a great deal of evidence had been given by the employers to the effect that the men's wages in this industry could not be increased without raising the cost of supply and adversely affecting dependent industries, such as mining, engineering and textiles—industries that were already de-

pressed and in which wages compared unfavourably with those of the electricity undertakings.

16th. Covent Garden dispute: The employers, after consideration of the Court's report, have decided neither to re-open negotiations with the Union nor to submit to arbitration. The Union has already definitely stated that it would not accept arbitration on the points already agreed upon, but only upon those still in dispute, and the employers feel that arbitration could serve no useful purpose in the circumstances. They offer to inaugurate a registration system if the men desire it and to set up a Board of Arbitration for future disputes.

19th. Covent Garden dispute: The Transport and General Workers' Union have approached the employers, offering to order a general resumption of work if the employers will then renew negotiations at the point at which they were broken off. The Union is apparently testing the willingness of the employers to give effect to the findings of the Court and to recognise the Union as the official representative of the porters. The employers, however, state that the men have intimated their willingness to return to work and many have already done so.

23rd. The Communist Party has sent a letter to the delegates to the Labour Party Conference, condemning the Government policy and calling upon the Labour Party to force the Government to undertake an immediate struggle for increased wages and unemployment maintenance, and to bring forward legislation relating to the capital levy and nationalisation. The letter also demands that the Communists be admitted to the Labour Party with full rights.

24th. The Labour Party executive announces that at next month's conference it will recommend that the Communist Party be refused affiliation to the Party and that none of its members shall be eligible as a Labour Candidate for Parliament or any local authority.

Covent Garden dispute: The Transport and General Workers' Union have officially ended the strike by publishing their decision not to extend the area of the dispute and advising the men to return to work.

The General Council of the Trades' Union Congress has appointed a special commission to investigate in Russia the industrial, social and political conditions prevailing in that country. The delegation will consist of Messrs. Herbert Smith, A. A. Purcell, John Bromley, Ben Tillett, M.P., John Turner and A. Findlay. Mr. Fred Bramley, the Secretary of the General Council, will go with the party.

No. III.

# **NOVEMBER**

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“We must translate our political faith into terms  
of service and show that we are really in  
earnest about social reform.”





# INDUSTRIAL PEACE

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# INDUSTRIAL PEACE

## INDUSTRY AND THE NEW GOVERNMENT.

It has always been, and it will continue to be, our policy to remain free from the entanglements of party politics. Our sole purpose is to promote the interests of industrial peace, and one of our methods is to provide an opportunity for a full and impartial discussion of measures which bear directly or indirectly upon our purpose. We do not assume that any one party enjoys a monopoly of economic wisdom, and our contributors frequently reflect different shades of opinion. We shall continue to maintain our independence and to pursue our constructive purpose. The result of the recent general election has been to place the reins of government in the hands of the Conservative Party, and they are likely to remain in their hands for the next few years. The task of the new government is anything but simple, and it is inevitable that a great deal of its energy will be devoted to industrial affairs. Like the other parties the Conservative Party, during the election campaign, pledged itself to a policy of constructive industrial reform. We shall watch its efforts in this direction with the same detached sympathy that we have shewn to every party when in power. The problems are difficult because the economic world is so complex: it is far easier to tear the delicate fabric of industry and trade than to mend the rents already made. In dealing with industrial matters every government needs courage and caution as well as expert skill. True and lasting reform cannot be secured by ill-designed, hasty legislation passed in moments of fear. Nor can we create the Millenium in a day. We hope, therefore, that the new government will proceed warily and refuse to be stampeded; on the other hand we hope it will not sink into an attitude of dull apathy.

Reviewing the economic situation in the light of the election manifesto, the problems which will demand and receive attention are fairly obvious. They are not isolated or disconnected problems, and they are too sharply distinguished in popular discussion. For more than one reason the most urgent may prove to be the housing problem. The Wheatley Act, without showing any promise of success which could not be achieved by the Chamberlain Act which it superseded, has created new difficulties. It has proved to be an axe which cuts at the root of private enterprise without touching the trunk, and those who

forged and used it led us to expect an abundant harvest of fruit from the tree. It strengthened a monopoly which was already strong, and gave approval to a monopolistic policy which is anti-social in its effects. It intensified the difficulty of dealing with unemployment, which is the second urgent problem by which the government is confronted. For the latter problem is largely one of misdirection of industrial effort. Under normal conditions a considerable number of those now unable to find work would have been employed in the building trades. In other words, if housing conditions are to be improved even at the rate at which they were being improved before the war (and we were by no means satisfied with that rate of progress) we must employ at least the same proportion of our workpeople in the building and building material trades. If we are to make up the leeway which is necessary even to return to pre-war standards, we must employ, for many years to come, a still greater proportion of the working population in those trades. Actually the proportion is far lower, and in this fall is to be found the explanation of a considerable amount of unemployment.

It is also argued, and we believe rightly argued, that unemployment is more serious than it need be on account of the disparity of wages in sheltered and unsheltered trades. It is held, and we believe rightly held, that the reductions in wages accepted by those trades which are exposed to the blasts of foreign competition would have produced greater effects upon employment if they had been accompanied by reasonable reductions in those wages which enter into transportation costs and into local rates. The wages problem constitutes the third of those which will undoubtedly occupy the attention of the government. If this is to be adequately dealt with it seems to us that two things are essential. The first is that fuller information should be sought and published on the wages paid in different types of industries and their effects upon employment. We have been too apt to regard industries as working in watertight compartments and to disregard the effects of the conditions obtaining in one upon the fortunes of the others. The second is that full use should be made of the machinery now offered for the settlement of wages disputes. In view of the fact that we are entering upon a new era we have deemed it advisable to devote a separate article in this issue to a description of the official machinery available at the present time.

Unemployment is, however, in large measure an international problem, and the fourth question which will call for attention

is that of restoring, as far as it is possible for us to do so, the trade of the world. In this connection the government will be called upon to define its attitude towards the scheme laid down in the famous Dawes report. The possible re-actions of that scheme upon employment in this country have aroused considerable fear in the minds of many of our citizens, and it is possible that its final operation will create serious controversy regarding consequential measures which are urged in various quarters. Finally, the Conservative Party, like the other parties, pledged itself to a policy designed to remove that feeling of insecurity which is undoubtedly one of the greatest sources of misery at the present time. The provision of adequate insurance against the many contingencies of work and life will tax the intellectual resources of the new government; but in this sphere, more perhaps than in any other, it may look for the sympathy and active co-operation of the other political parties. Insurance is not in any sense a party question. All are agreed upon the need for security and the determination of the precise insurance scheme which will provide that security must be to a large extent in the hands of experts. Actuarial and administrative considerations, and the limits imposed by national wealth or poverty, must be three of the main factors determining the nature of the scheme. And the controversy about the other points has always cut across the lines of party controversy.

If the new government approaches these problems with a single end in view, it may produce a psychological revolution. In trade circles the dominant feeling is that of timidity. Uncertainty and fear are serious obstacles to trade revival. In labour circles there is a strong feeling of disappointment and unrest. A government which shows that it 'means business,' which begins by acting with courage and wisdom and by giving evidence of a real desire for progress, will convert fear into confidence, and the new confidence will do much to accelerate industrial recovery. A government which shows that it loves justice more than power will command the respect and sympathy of the workers and will thus do much more to secure industrial peace than can be done by the mere provision of machinery or by legislation which denotes a surrender to economic power or an attempt to curry favour.

## THE FACTS OF THE CASE IN DIAGRAM, No. LV.

THE cost of living and, more particularly, the cost of food are governed by a number of factors which operate over variable periods now in this direction, now in that, sometimes acting in concert, sometimes in opposition but never remaining stationary. The result may be compared with the path of an object dropped from an aeroplane which is travelling at right angles to the wind. Gravity exercises a constant pull earthwards, the kinetic energy of the flying machine being imparted to the object predisposes the latter to move in the same horizontal plane, the force of the wind makes it slant obliquely and air-friction retards its rate of fall. Though every effort should be made to eliminate adverse influences, the cost of food cannot be stabilised artificially for any length of time because it is driven up, pulled down or held steady by the interplay of forces which cannot be controlled nor even charted. A succession of good world-harvests, an earthquake in Japan, civil war in China, drought in India, a new oil-field in Mexico and such-like unforeseen events may tend to produce abundance or create scarcity and the cost of living is raised or lowered accordingly.

Other factors, however, which are also involved in the determination of the price of food are nearer at hand, more controllable and more susceptible to investigation. Amongst such may be mentioned the level of wages and of the industrial output, cost of transport, credit facilities and the general state of trade. One of the least recognised, but at the same time, one of the most important, factors which can be proved to exert a direct and measurable influence on the cost of food is the prevalence or otherwise of industrial unrest and this is the aspect that we here propose to examine.

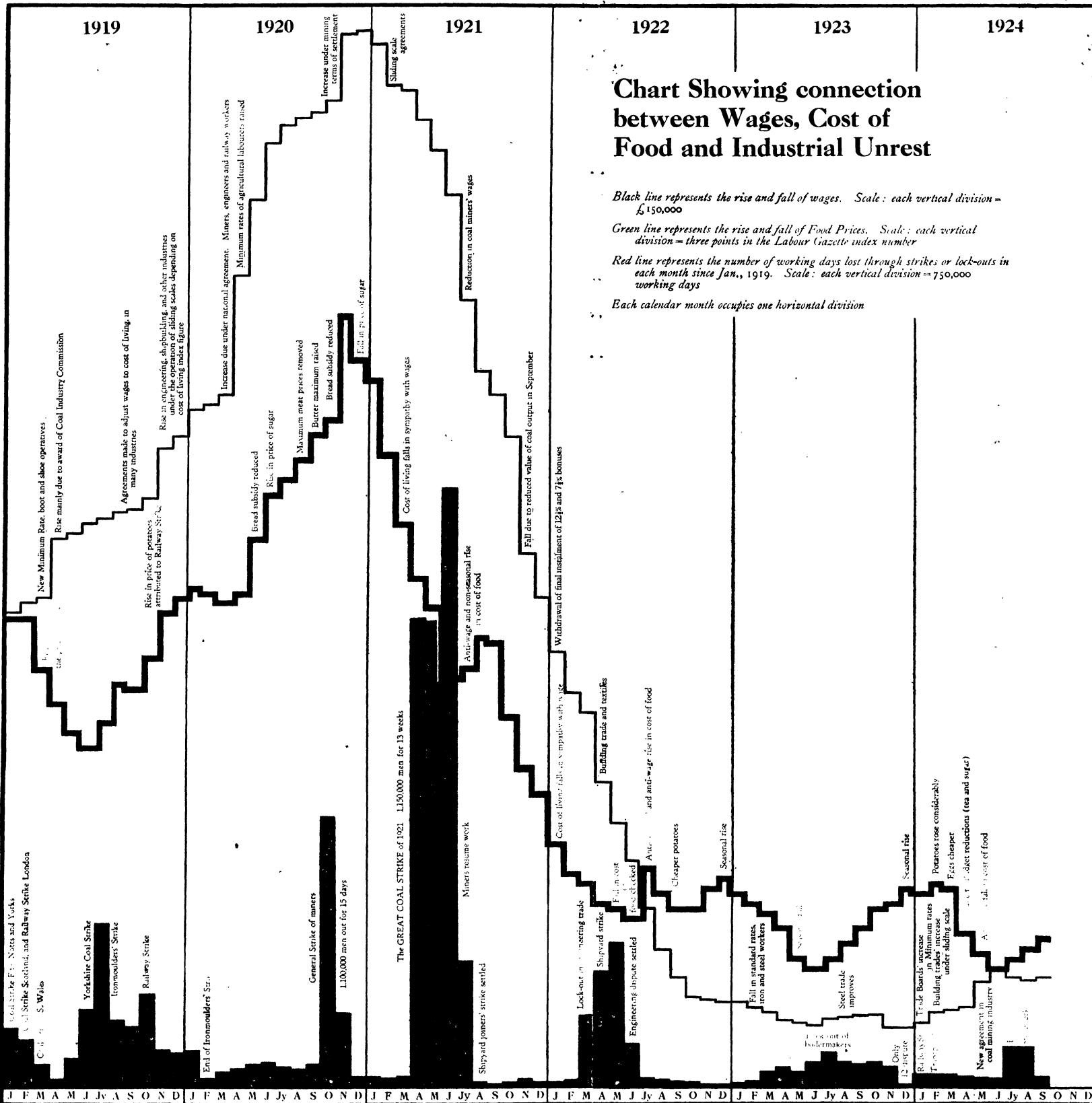
Diagram No. 92, which accompanies this article, covers the last sixty-nine months and is based on information published by the *Labour Gazette*. It is designed with the object of shewing the connection between the rise and fall of wages, the retail prices of food and the industrial conflict. It consists of three graphs, plotted at convenient scales and arranged in such a way that the levels of the three factors under consideration can readily be compared, month by month. It will be seen that, as a general rule, the rise and fall of wages exerts a dominant influence over the fluctuations in the cost of food.

To this rule there are exceptions and it is by investigating these divergences from the normal that we are enabled to measure, in part, the influence exerted by strikes and lock-outs.

The level of wages in January, 1919, is our starting point and for every rise or fall a corresponding step upwards or downwards is charted. Each vertical division corresponds to £150,000. A similar method has been pursued in the case of food prices, which are marked up or down in accordance with the food index number as calculated by the Ministry of Labour. In this case a vertical division corresponds to three points in the index number. The ebb and flow of industrial unrest is exhibited by plotting the number of working days lost to industry through strikes and lock-outs in each successive month at a scale of 750,000 working days per square. Explanatory notes are added to the graph when such a course seems likely to assist the reader, and the following remarks deal with other aspects of the same question.

During the first six months of 1919 we get the unusual combination of rising wages and falling prices and it is not easy to find a sufficiently conclusive explanation of this apparently contradictory state of affairs, without going outside the scope of our immediate enquiry. The fall in the cost of food in March, April and May was partly seasonal, but the cheapening of milk, eggs and butter is not enough to account for so large a divergence as that which exists between the two graphs. A stronger cause may be discovered in the fact that the cost of imported meat came down in March and that this had the effect of compelling reductions in the price of the home-grown product. Meanwhile the continuance of the government subsidy kept bread cheap and these factors coinciding with a diminution of industrial unrest created an exceptionally favourable position. In July, however, a change for the worse took place for, whilst the level of wages shewed no more than a slight improvement, the cost of food turned sharply upwards and continued to rise, with a few minor exceptions, for over a year. This change, it will be observed, synchronised with an outbreak of industrial unrest, the Yorkshire coal-strike of July being followed in quick succession by the iron-moulders' strike in August and by the railway strike in October. About this time the connection between wage levels and the price of food became closer owing to the conclusion of agreements in many industries for the adjustment of wages in accordance with the cost of living, and although a comparative lull in industrial hostilities was accompanied by a temporary reduction









in prices, any improvement due to this cause was quickly nullified by certain adverse influences, e.g. the reduction of the bread subsidy, a rise in the price of sugar, the removal of the government maximum at which meat was allowed to be sold, and last, but not least, the general strike of miners. These factors acting in the same direction at the same time carried the cost of food up to the highest point ever attained during all the years for which records are available.

This takes us up to the month of November, 1920. After that date, although wages did not begin to fall seriously until February, 1921, the cost of food came down with a rush for seven months in succession. In July, August and September, 1921, however, this fall was first arrested and then converted into a rise in spite of the fact that the level of wages was still steadily sinking month after month and we have no hesitation in attributing this disturbance to the Great Coal Strike of 1921 when over a million miners produced no coal for thirteen weeks with disastrous consequences to every branch of industry throughout the land. As soon as the immediate effects of this industrial storm had spent their force, the co-ordinated movement of wages and prices resumed its normal relationship and so continued until the month of June, 1922, when the combined effect of the Engineering lock-out and the shipyard strike brought about another anti-seasonal and anti-wage rise in the price of food.

When it is remembered that any increase in the cost of living, from whatever cause arising, penalises every single individual in the country, it will be realised how severe and far-reaching is the damage inflicted upon the community by a prolonged industrial dispute such as the great coal strike of 1922, or the engineering lock-out of 1922. Without offering any opinion as to the rights and wrongs of those disputes it may safely be said that their avoidance would have prevented the entrance of poverty into millions of British homes, for nothing hits the working classes so surely or so relentlessly as a rise in the cost of living at a time when wages are falling. The extent of the mischief occasioned by the failure to compose those two disputes without resort to force is incalculable, but taking everything into consideration it appears to be more than likely that the crossing of the two graphs, which took place in July, 1922, and which is still unredressed, would never have happened if reason had prevailed, instead of strife.

Little significance can be attached to the increase in the cost of food in November and December, 1922, for these two

months are almost always associated with high prices and this seasonal change is naturally more strongly marked when a long continued fall in wage levels is arrested as was the case at this particular time.

During 1923, six months of improvement were followed by a retrograde movement which persisted until the end of the year, when the position showed hardly any change from that established twelve months earlier, both as regards wages and cost of living. Strikes there were in plenty, but none of sufficient magnitude to call for detailed notice. May, 1924, shewed a welcome improvement due to the combined effect of season and budget reductions in the taxation of tea and sugar. At the same time wages rose by nearly half a million pounds, and, in comparison with what had gone before, June was quite a good month. July and August saw a recrudescence of industrial strife, serious stoppages of work taking place both in the building and in the steel trades, to the accompaniment of lower wages and higher prices.

As we have already seen, wage fluctuation is the most powerful factor in the determination of food prices, and this is particularly apparent in what we may call the "middle register." When wages have been rising rapidly or over a considerable period, there comes a point when the cost of living fails to respond to the stimulus, and the same thing happens at the other end of the scale. The explanation of this phenomenon is that when money is plentiful the surplus is either saved, used for the replenishment of clothes and furnishing or spent on luxuries, such as beer and tobacco. On the other hand when wages are at a low ebb the purchase of food falls off, but this is not a process that can be continued indefinitely, and the time comes when no margin is left and ordinary comforts and amusements have to be relinquished.

To suffer privation on account of bad harvests, foreign complications, or other unpreventable misfortunes is bad enough, but to force up the cost of living against your own family, against your own comrades, and against the whole nation for any reason short of absolute necessity is sheer madness.



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NOTE.—In last month's "Facts of the Case in Diagram," p. 38, l. 21, in place of "forty-four months" read "sixty-eight months."

## A SOCIALIST REPULSE.

ON the morrow of a remarkable victory, it is perhaps natural for some enthusiastic Conservatives to emphasise their triumph over Labour. But such are apt to ignore Labour's increase of over a million votes and its larger percentage of the total poll (34.2 as against 31.7 in 1923). The latter may be partly explained by the smaller number of Liberal candidates, but is hardly consistent with theories of a Labour *débâcle*. Nor does a net loss of some 40 seats, considerable though it is, justify this view. The actual returns somewhat exaggerate the Labour decrease. For of 63 seats lost, over thirty were held by a minority vote in 1923 and lost in a straight fight in 1924; and in most of these the anti-labour majority was smaller, in some a good deal smaller, than it was a year ago. Certain Conservative gains in three-cornered contests were largely due to a decline in the Liberal vote. In straight fights Labour only lost about twelve seats: and in these the turn-over of votes, though considerable, was seldom very heavy. On the other hand, five seats were gained in three-cornered contests, which had been lost in straight fights with the Liberals in 1922.

A feature of the election was the strength of the Labour party in big industrial and mining districts, in one or two of which seats were won on balance. Thus there was a net gain of three in the North East Coast area. Four seats were won in the towns, and one mining constituency was lost. In the remaining mining constituencies in this area, the Labour majorities were well maintained, as was the case in many mining districts. In the Birmingham area two seats were gained and one lost, and several Conservative seats in Birmingham itself were held by small majorities. A seat was gained in the Pottery towns. In Yorkshire the Sheffield and Leeds seats (with one very narrow escape) were held; but one seat was lost on balance at Bradford. In the Liverpool area West Birkenhead was lost, but West Toxteth, held by a Conservative in 1923 and won at a by-election, was retained. In London proper there was a net loss of only two seats. Elsewhere things were less favourable. In the Manchester area three seats were lost at Salford and one each at Bolton and Oldham. The four Manchester seats, however, were retained, three by considerable majorities. In Scotland Labour lost several seats in the Clyde area, but gained one at Edinburgh and improved its position at Dundee.

The tendency, however, is even more marked than the above facts suggest. In some towns the results are markedly

different in the working-class districts, from those of the residential and business areas. The "All Red Route" in East London, for instance, was held from Stratford to Finsbury with increased majorities in some constituencies; and in South London four seats were gained in working-class areas. The Labour losses, on the other hand, were nearly all in 'mixed' areas, such as St. Pancras, Greenwich and Hammersmith. This also applies to the seats lost in the outer suburbs. In Birmingham there were increased Conservative majorities in the residential constituencies. In these areas majorities in many seats already held by Labour have not been maintained. But many of them are still substantial and some have been increased. There is not that general decrease in majorities that usually accompanies a heavy electoral defeat, at least in industrial areas.

Where Labour has failed has been mainly in two types of seat—the suburban and the agricultural. Some of the biggest Labour defeats in the towns, moreover, have been in those situated in agricultural districts, such as Norwich, Ipswich and Reading. There has also been a fairly severe setback in the Clyde area.

The latter suggests a further consideration, namely that moderate labour has to a great extent held its ground. Labour, on the North-East coast, for instance, appears to be much less extreme than on the Clyde, and it has certainly fared better. To some extent this also applies to many individuals who hold moderate views. Among the ministers, for instance, Mr. Snowden, Mr. Henderson and Mr. Gosling improved upon their position at the last general election, as did private members like Mr. Rose, Mr. Sexton and Mr. Ben Smith, whilst Mr. Walsh, Mr. Shaw and Mr. Trevelyan have more or less held their ground.

In short, the conclusions which suggest themselves are roughly three. First, the Labour party have suffered a defeat, but it is a repulse and not a rout. Secondly, where they are strong already, they have generally consolidated their position. But they have lost doubtful positions, and have not, except at Birmingham, made headway in difficult areas. The relative success of moderate Labour is the third feature. This is satisfactory evidence that the power of the extremists is limited. It is also a clear warning, indicating that the working class voter is out for definite social reform and that he means to have it. It shows that he has no use for reaction: and the future will thus depend on the power of the Conservative party to satisfy the desire for reform.

## CONCILIATION AND ARBITRATION.

THE provision of adequate machinery for the settlement of disputes is not a guarantee of peace, but it is clearly a necessary condition of peace, not only in industry but in all spheres of activity. In all departments of life provision is usually made both for conciliation and for arbitration. Moreover, in those cases which lie outside the sphere of law provision is made for the guidance of public opinion. Moral influence acts as a substitute for law. An illustration of this important fact is to be found in the provisions made in the constitution of the League of Nations for the settlement of international disputes.

### Pre-war arrangements.

The machinery of conciliation and arbitration now employed in industry in this country represents the latest stage in an evolutionary process, and is mainly adapted to the requirements of highly organised industries. It is almost entirely voluntary in character, and its functions and value can best be understood and appreciated if they are examined in their historical setting. During the nineteenth century wages were determined by collective bargaining in a large and steadily growing number of industries, such as cotton manufacture, engineering and shipbuilding. Some industries, such as iron and steel manufacture, went a step farther, and provided that if and where a dispute occurred the matter should be automatically referred to arbitration. The step was made easy by the adoption of a particular method of remuneration (the sliding scale) which settled all questions of principle in advance. The great majority of industries were not so fortunately situated, and when wages negotiations broke down there remained but the alternatives of suspension of work and reference to special arbitration. Arbitration, however, presented two difficulties, one being that of agreeing upon a suitable outside person to act as arbitrator. This difficulty was overcome by the Acts of 1896 and 1906 under which the Board of Trade was empowered to appoint an umpire at the request of the parties to the dispute. The second difficulty was of a more serious character. Where there was a vital principle at stake neither party was ready to submit the case to an outside individual or tribunal, and the dispute then

became a trial of strength. If it did not eventuate in a strike or lock-out it was because the parties were able to gauge each other's strength fairly accurately, in which case a settlement was usually negotiated, the terms of which reflected the relative strengths of the disputants. If there was an element of doubt about the matter the dispute generally ended in a cessation of work.

It will be observed that during this period the idea of a 'just wage' was but dimly conceived. Wages were usually regarded as the subject of a bargain, the terms of which were determined by the relative strengths of the two parties. Moreover, a quarrel, when it occurred, was regarded as a 'private' affair with which the public had no concern. By the end of the century, however, a considerable change had taken place. Considerations of 'justice' were urged with growing strength, and appeal was made to the tribunal of public opinion. It came to be recognised that the moral support of the community was a considerable factor in the struggle, and each of the disputants endeavoured to secure such support. Moreover, in a large and growing number of industries strikes and lock-outs quickly affected the convenience of the public, and in extreme cases endangered the life of the community, with the result that disputes were no longer regarded as domestic affairs, but events in which the public was an interested third party. The growing importance of moral factors in industrial negotiations, and the steadily increasing interest of the outside public, led to the recognition of the inadequacy of the then existing machinery of conciliation and arbitration.

### **Arbitration.**

Such was the position two years before the outbreak of war, when the historic struggles in the coal-mining and railway industries had shaken the industrial structure almost to its foundations. Lord Asquith was sent to Canada to investigate the Disputes Act in force in that dominion, and an Industrial Council was set up in this country for the purpose of acting as an intermediary in wages disputes. Then followed the war, during which not only were the moral aspects of wage settlements emphasised, but the interest of the third party stood out more clearly than ever before. The Industrial Courts Act of 1919 represents a natural development from the circumstances and ideas of the period ending with the return of peace in Europe. The Act consists of two main

provisions. In the first place it provides a machinery of arbitration. In this respect it only differs essentially from the earlier Acts (1896 and 1906) in establishing a permanent Court of Arbitration, which may also be employed by the Minister (of Labour) as an advisory body on matters relating to disputes "or any other matter which in his opinion ought" to be referred to such a body. Arbitration under the Act is only a final resource to be employed when other methods have failed. There is not the slightest trace of compulsion observable in the arbitration clauses, and the consent of both parties (after report by either of them) is necessary before the Minister can take action. Moreover, the Minister, instead of referring the dispute to the Industrial Court, may call upon a single arbitrator, or an *ad hoc* tribunal consisting of representatives, in equal numbers, of the two parties with an impartial chairman. Thus the interests of the two sides are safeguarded, and it is difficult to see what further important developments can be expected in this direction.

### Courts of Inquiry.

The second main provision is of a more novel character. The Act empowers (but does not compel) the Minister to "enquire into the causes and circumstances" of any trade dispute, actual or apprehended, and to "refer any matters appearing to him to be connected with or relevant to the dispute to a court of inquiry appointed by him for the purpose of such reference, and the court shall, either in public or in private, at their discretion, inquire into the matters referred to them and report thereon to the Minister." The Court of Inquiry is the machinery devised to fill the gap created by those changes in circumstances to which reference has already been made. The Act, in this part, gives effect to the view that the public is a third party which is vitally interested and should not be ignored. It provides the parties with an opportunity of submitting their case to the test of public opinion and of thus appealing to moral law. In so far as they refer to courts of inquiry the clauses of the Act are very general. A court may consist of one or a group of people. The engineering inquiry of 1922 was conducted by one person only, but the usual practice seems to be to appoint three members, consisting of an independent chairman together with one employer and one representative of labour. The Court may restrict its attention and confine its report to questions of fact or it may submit opinions and recommendations for the consideration of



the parties. Such recommendations, however, are not of the nature of an arbitration award. They merely present the case as it appears to an outsider or group of outsiders, and therefore as the general public might reasonably be expected to view it. Recommendations, where they are made, assist in guiding public opinion, and therefore in deciding which side is to enjoy moral support. Considerable controversy has been excited by the fact that while some committees make definite recommendations others restrict themselves to a report on the facts of the case. Whether or not definite recommendations are desirable must be determined by the Committee themselves. In some disputes the public is baffled by the difficulty of securing adequate information upon which to form an opinion, and a report on the facts is of extreme value. In others the principles at stake are so difficult to evaluate that opinion, even on the basis of undisputed facts, must be hopelessly divided. The elasticity of the system would thus appear to be one of its chief merits. It provides a sort of Industrial court of equity before which the parties may plead their case. Its establishment implies the view, now generally accepted, that moral issues are important in industrial affairs, and it thus offers not only the worker but also the employer, an opportunity of justifying his action to his fellow citizens. Provided the system is rightly used it brings an element of publicity into industrial negotiations at the stage when they cease to be a private matter. In suitable cases the Court may even act as a mediator and, if successful, merely report success. In our view the double security afforded by the Act (through enquiry and arbitration) provides the real alternative to compulsory arbitration. It abolishes the necessity for strikes and lock-outs, though these still occur. It enables disputants to see themselves as others see them, which is the gift of the Gods desired by the poet Burns.



## “STABILITY.”

AN anti-Socialist majority of well over three hundred : this is the country's present answer to a threat of “constitutional rebellion” which should be the herald of a “fundamental reorganisation of our economic system.”

What an opportunity ! What a responsibility ! The nation, weary and baffled, has decided to put its trust in one party and to seek peace and progress through the medium of a stable government. We might be forgiven if we allowed ourselves to close our eyes for a moment and enjoy the new found sense of repose and security, but any respite must be brief, for the work is before, not behind, us. A stable government we have, but stability—the real goal—is not yet in sight. The country has given itself and the new ministry a magnificent chance. Will the Premier rise to the opportunity, will his party divine the mandate that is theirs, will the country have the strength and the courage and the insight to respond to the call of its leaders ?

This election was fought on the question of stability, and the country's future depends upon the proper understanding of the people's mandate. What is stability ? Not stagnation, not restless experiment and change ; stability is progress, slow and steady, from the bottom upwards.



Mr. Henry Nevinston, writing in the *New Leader* under the title we have adopted for these notes, relates how when recently driving with Mr. Ramsay Macdonald through the vast and crowded manufacturing districts of England, where the majority of English people live and work, he kept thinking to himself, “What have these people to do with stability ? Much of their work is dangerous, nearly all of it is uninteresting and monotonous ; and it occupies nearly the whole of their short lives. Yet they live in perpetual terror lest the work should cease and they and their families should be thrown out to starve or to pinch along on the ‘dole.’ That is their fear and it haunts them all their days. Their only idea of ‘stability’ is to be allowed to continue their dangerous and monotonous labour till they die.” To talk to these people of stability, “of conserving the country's state and the Empire's greatness” is “to fill the bellies of the poor with the east wind.” Although Mr. Nevinston, in his effort to rouse

public opinion, exaggerates both the conditions and their incidence and does justice neither to the class which he seeks to help nor to those he condemns, we quote him at length because his analysis of *Stability, Who Want It and Who Don't*, is a graphic and simple presentation of one aspect of the problem. Look at his concluding sentences: "Blue books and statistics mean nothing to me. . . But when I see and speak with the actual men and women in our great industrial districts, when I know their homes and can follow their way of life from hour to hour, then I begin to understand the meaning of work, poverty and unemployment. It is to these people that the Labour Party comes with an evangel, a gospel of hope, a revelation, not of the *status quo* but of rapid and continuous change. When I have myself spoken to such meetings I have found the audiences interested in foreign countries; especially interested in the improving state of Germany under our Labour Government, and interested in the Prime Minister's high service to peace. I have found them interested even in education, and to a certain extent (nowhere very much) in the Russian treaties and the Zinovieff letter. *But where I have found universal and absorbing interest has been in every shred of hope for escape from poverty, from the monotony of toil, from the misery of unemployment.*"

The italics are ours. There is no need to explain the words thus emphasised. They must be read with understanding—and remembered. Here the truth may be voiced with bitterness and prejudice, but confirmation of the reality of the facts can be found in the views of many independent minds, notably in Lord Askwith's balanced work on Industrial problems and disputes. These people are not stable: baulked of progress in any direction they seek change for its own sake—like some strikers seek a strike for the very excitement of it.

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Our next step is to compare the strength of the parties returned at the elections of December, 1923, and November, 1924.

	December, 1923.		November, 1924.	
	Members	Votes	Members	Votes
Conservatives	256	5,359,690	411	7,367,569
Labour and Co-op.	191	4,348,379	150	5,471,180
Liberals	159	4,251,573	39	2,897,193
Other Parties	8	226,796	12	281,050

Though losing 41 seats Labour actually gained over a million supporters. The *New Leader*, the most serious and

authoritative Labour paper, again provides us with all the argument we need to realise with what infinite pains, intelligence and understanding even a stable government has yet to work in order to win stability for the country and for the people. Five and a half million voters are in a camp that professedly seeks stability through revolution. Commenting on these electoral gains the *New Leader* outlines the Party's future work and incidentally points out the work to which we, and especially those in power, must unceasingly devote ourselves. "This eventful nine months has added a big figure to the number of our supporters in the country. We are nearer than before to our first aim of rallying the working masses in a solid phalanx behind us. *We have gained in experience and may count the future as ours.* . . . The years of opposition which lie before us must be years of constructive and educational work. The tactics of a minority balanced uneasily between two rival parties need trouble us no longer. Our single aim must now be to attain at the next election a majority for a socialist programme. We must carry our message week by week with unflagging will into the villages of rural England. We must help the two workers who are with us already in sympathy to understand what Socialism means in morals and in economics. So far from compromising or trimming, we have to restate Socialism in its most challenging and comprehensive form. We have lost office. We have gained the right to be ourselves."



If we believe that under the capitalist system we can give the nation real stability, that stability which Mr. Nevinson visualises as "change" and which we can sum up as reasonable reward for reasonable labour, a reasonable assurance of security and progress wherever there is continued and intelligent effort, we must know how to explain our belief to those who seek our aid, or who depend upon it and would seek it if they understood. But before we can explain we must be sure of our belief and of its foundations. We must seek to understand the needs of those we set out to help and to recognise and appreciate their aid upon which we in our turn depend. Government and people alike must cultivate an open mind and seek a better understanding of the reality of the problems they undertake to solve. If we are convinced that Socialism, State-ownership, and all other forms of collective ownership and control which exclude personal responsibility and destroy individual effort

and self-reliance, can only bring poverty and wretchedness, we must be equally certain that we can so guide and control the capitalist system that the best ideals of the socialists are realised as nearly as may be, that is to say, that poverty, suffering and injustice are reduced to a minimum. We must see that progress begins from the bottom. If we are to succeed we must be sincere. We must watch and learn. We must inform ourselves. We must give. We must put our shoulders to the wheel before we ask for Labour's five per cent.



Labour's five per cent. is an expression borrowed from a letter written to the Editor of the *Times* by the Bishop of Gloucester—a man whom the people are justified in regarding as representative of the “governing” classes; a university man, of far more than average intelligence; certainly with more than average public responsibility; a man of high ideals and one whose life we must suppose has been spent in broad and sympathetic study of all sorts and conditions of men. No one can doubt the bona fides of the Bishop. His earnest desire must be the people's welfare and his painstaking analysis of unemployment and its causes must have been dictated by a genuine desire to help. And yet every word of this recent letter to the *Times* reveals a lack of real knowledge of the subject on which he writes, coupled with the complete absence of sympathy or understanding. If the attitude of the Bishop of Gloucester is at all indicative of the majority of those who seek stability in capitalism, we must indeed change rapidly and radically or abandon the country to a socialist party that can hardly be less biased. For they will inevitably win. If they preach what they do not understand they have at least the advantage of discussing unexplored regions. Their errors will only be found out when their system fails. We, on the other hand, must know what we are talking about for our facts are demonstrable. If we do the right thing, the best thing that can be done in the circumstances, and explain it as we go, we may succeed. But the Bishop's letter is a complete illustration of all that we must not be or do. It criticises and condemns people and Government alike. It speaks dogmatically on a wide range of intricate problems. It is without sympathy or understanding; its bias justifies Mr. Nevinson's claim that for the wealthy “stability” means “the power to keep what they have,” or Mr. Wheatley's jibe that, “the return of the Tories by such an overwhelming majority will considerably hasten the end of the

capitalist system of society, because capitalism is too selfish to make even infinitesimal sacrifices to preserve itself."

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But Mr. A. A. Milne very properly reminds us that "for some cold-blooded economist to argue with his lordship on these matters would be neither profitable nor kind," and it is clear the gentle irony with which he criticises the Bishop's arguments is a hundred times more helpful than any argument of a less subtle kind. "We have all felt like this," writes Mr. Milnes, "we have felt, as does the Bishop, that less taxes for us and harder work, longer hours and lower wages for others is the only rational solution of the country's difficulties."

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It is better to laugh than to get angry. But one or the other we must do. We must recognise the fallacies of capitalists as well as the fallacies of socialists, and if we can laugh at our own mistakes and get on with the job, so much the swifter will be our progress towards "stability," towards the foundation of a State which is stable because all its units are efficient, self-supporting—interested in the stability of the Empire on which the permanence of their own prosperity depends.

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## THE NEW INDUSTRIAL REVOLUTION.

AMERICAN lights are seldom hid beneath bushels, and Professor T. N. Carver of Harvard has said recently that "the only economic revolution anywhere in the world that amounts to a hill of beans is taking place in this country now." The Professor happens to be right. Consider the following :—

"When a wage-earner invests some of his earnings in the business enterprise in which he himself is employed, he becomes a better workman; he takes a new interest in the business; he feels that he has a stake in it which is more important than the weekly pay envelope. And when a man gets this feeling, he settles down and becomes dependable. For he comes to feel that he also has a part in the prosperity and progress of the country which places upon him the obligation of industry, of thrift, and of good citizenship."

These may seem to be the sentiments of the confidence men of capitalism, plotting hard to hoodwink the wage-slave into acquiescence in the system that exploits him. They are really the peroration of a pamphlet, *Making Millions out of Pennies*, issued by the Brotherhood of Locomotive Engineers. The revolution lies herein that four years ago no American union wrote or thought thus. That any great union anywhere should entertain such sentiments may well astonish Britons of every class and party, who for years have heard little from the leaders of British trade-unionism but a dribble of Marx-and-water. It may be that Mr. J. H. Thomas' slashing attack on the "ideals" of class-warfare at Sheffield heralds the approach of a better time. On the other hand a solid deputation of Labourists has just gone to Russia, presumably to study the revolution—a revolution which has disorganised political life and industry, which has united political power and the money power in one intolerable despotism, which in seven years of nationalisation has destroyed productivity and degraded the standards of living for a great nation. If Mr. Purcell's party had gone to America instead of to Russia, they might have studied for themselves, and in their mother tongue, a beneficent revolution that has cost neither blood nor tears.

The story of this revolution is to be found in detail in the pages of *Labour's Money* by R. Boeckel \* The circumstances that led the two pioneer unions, the International Society of Machinists and the Brotherhood of Locomotive Engineers, to

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\* *Labour's Money* by Richard Boeckel, with preface by Lord Milner. [Published by Martin Hopkinson & Co., London, 1924. Price 7/6.]

launch out on a new path were the result of the war. The war boom enabled the working-classes to earn high wages, and the unions to accumulate large reserves. The Liberty Bonds Campaign, like our National Savings Certificates, accustomed the working-classes to save; while Prohibition made saving easier. Then came the post-war depression. Many industrial undertakings, finding themselves seriously embarrassed, sought to reduce wages. Some banks tried, unwisely, to force a policy of reduction on employers by threatening to curtail their credit. The unions found themselves face to face with an "open-shop" campaign, in which some banks identified themselves with the effort to break the unions and to abolish collective bargaining. Many employers had doubtless given the banks just cause for somewhat specific interferences with the details of their organisation. But the extreme concentration of financial power in New York, and especially in the Investment Banks, was sufficiently familiar to make the trade union leaders feel themselves at the mercy of the money power, the victims of a remorseless "control." Money, clearly, spelt control. But money was what the working classes and working class organisations in general had then at their disposal in unprecedented amounts. It was feasible for the working-classes to win control by the use of their financial resources. The first attempt of Labour to play the banker was carried out by the International Society of Machinists. The Crescent Machine Company of Norfolk, fighting a losing battle against circumstances, against the Engineering Employers' Federation which was determined to work "open-shop," and against its bankers, was saved from stoppage by money put at its disposal by the Machinists. But Norfolk suffered so severely during the shipbuilding depression that most of the engineering firms, and among them the Crescent, were eventually forced out of business. The Machinists became the owners of the Crescent plant. The first anxious steps in financial control by Labour had been taken, and the way to vast conquests lay open.

The leadership lies now with the Brotherhood of Locomotive Engineers. According to an article in the *New York Times* of Oct. 5, the Brotherhood owns a central bank, with a growing network of branches throughout the country. The assets of the former exceed 100,000,000 dollars. Requests for the establishment of 60 branches are under consideration. The investment bank in which the Brotherhood has become the predominant partner undertakes successfully the raising of large sums for big enterprises. It has financed, for instance,



the Coal River Collieries Company, a two million dollar venture owning 6,000 acres of coal lands in the heart of the non-union districts of West Virginia and Kentucky. This Company has paid 7% on its stock since its organisation; its miners are members of the United Mine Workers and receive the highest wages paid in the district; and the coal is sold, to trade-unionists and the general public, at reasonable prices.

In less than four years the financial enterprises of the Unions have grown phenomenally. Ten of the twenty Labour banks now working successfully have been established within the last twenty months. Many more are being organised. The limiting factor at present is not lack of resources but scarcity of men, trusted by Labour, who are capable of directing large investment undertakings. Labour leaders of the old school have not been among the enthusiasts for the new movement. The new Labour financiers are the men who will guide trade-unionism in the future. What they need is a steady stream of working-class money for investment, industrial stability for the safeguarding of investments, and such conditions for labour as will assure productivity. Production is their goal, financial control their means, and a disciplined peace the only atmosphere in which they can hope to succeed.

In their financing of business undertakings the Labour banks have satisfied themselves that Labour was being well treated in respect of wages and conditions of working, and they have sought to support productive enterprise as distinguished from speculation. They have initiated profit-sharing schemes whereby ultimate surpluses are shared in fixed proportions between the banks and their customers. If it be true that the vengefulness of Labour against Capital springs in part from Capital's claim to appropriate the whole of such ultimate surpluses, the American Labour Banks have lighted on one of the keys to industrial reconciliation.

Such is the pioneer work of the Brotherhood. Transport after all is a tell-tale trade, an index everywhere of general prosperity or depression. In Russia, a land of waterways, natural and artificial, what will Mr. Purcell's party observe among the transport workers, the water-transport men? According to the International Labour Office statistics, 37½% of unemployment. The Brotherhood's Central Bank's Assets mount up at the rate of a million dollars a month. The Russian Revolutionaries have fought, outraged, pillaged, murdered and massacred for control, and ruined Russia. The American Unions are buying control, with both hands, and earning the thanks and praise of the whole community.

## UNREST AND INSECURITY.

"A NEW relationship between employers and employed was born during the war and has been struggling to live during the worst slump in history. Misery makes strange bedfellows, and under the whip of economic circumstances both sides have learned to understand each other's difficulties and to develop a spirit of toleration." Thus the authors of *Is Unemployment Inevitable?* confirm and emphasize the fact that, in spite of many appearances to the contrary, there is a steady growth amongst employers and workpeople in the understanding of each other's needs and difficulties.

Moreover the wiser heads at least in the Trade Unions realise the evils that accompany continuous disputes and stoppages and desire to put matters on a more stable basis. Yet still the unrest goes on, and with it those influences that embitter feeling and make agreement more difficult.

A comparison with the period after the Napoleonic struggle suggests the explanation that the unrest is the aftermath of war and of those social and economic difficulties which inevitably follow it. The analogy, indeed, is only partial; for bad as they are, the conditions of to-day are much better than those of a century ago. For then the working classes had to meet not only the post-war depression, but all the evils of the Industrial Revolution, such as sudden displacement of labour by machinery and the unreformed factory. Moreover, the position has been improved in other ways, notably by the system of Unemployment Insurance. Thus, though the influences at work may be the same in kind, they differ in degree and circumstance, and we ought, therefore, to seek independently the causes at the bottom of the "present discontents."

Unrest, both in its temporary and permanent aspects, seems to arise from two fundamental causes. One consists in the active desire for what may be called Betterment, to improve generally industrial and social conditions and to secure higher standards. This force is growing, partly because the increasing social consciousness makes not the workers only, but all classes, realise the need for improvements, and partly because of the universal tendency in human nature, whereby every advance in conditions is made the basis for a further advance. The second influence is defensive in character. Unrest is generated as a result of evils, experienced or apprehended. These evils, though they include other factors, such as mono-

tony of work, may be summed up in the word Insecurity. These two causes of unrest exist side by side, and at times are found working together or independently in the same movement. In the Engineering industry before the war, for instance, the demand for the Eight Hours Day is said to have come chiefly from those trades in which the work was most monotonous, and to have been less strong in crafts like pattern-making, where the work was more varied. In the Printing Industry the movement was rather the result of a conscious desire to secure increased opportunities for leisure.

In normal times these two influences often operate in opposite directions. Before the war, for instance, the Betterment movement was progressing, as the demand for it grew more conscious, and there was on the whole a steady improvement in conditions. For, if after the beginning of the century, the increase in wages tended to slow down, progress in other directions continued. Moreover Insecurity, as a cause of unrest, tended to have decreasing force. It is a question, indeed, whether or not the amount of actual unemployment was decreasing: but the provision against insecurity was being strengthened by Health and Unemployment Insurance, the latter so far only partial, by Old Age Pensions and by Workmen's Compensation. Since the war, however, both influences have combined to increase unrest. War conditions gave a great impetus to the Betterment movement; and Insecurity, in the form of Unemployment, has been a greater and more widespread menace than at any time within living memory. The two influences may be dealt with separately.

Great expectations were raised during and immediately after the war: and the prevailing high wages seemed to be bringing into existence improved standards. Promises were given freely and in good faith, but valiant attempts made to give them effect have since proved them to be impossible of fulfilment. The expectations which were thus created remain and the effort to realise them is an influence tending towards unrest.

The position of unskilled and sheltered trades is different. Here improvements have, rightly or wrongly, actually been secured, largely through the increased strength of Trade Unionism. But the gains have tended not towards peace, but towards an attempt to enforce further concessions. This attitude has several causes. Inexperience prevents the unskilled workers from realising the conditions under which improvement is possible. Their success has created confidence

which leads them to demand further concessions. Moreover, the fear that existing gains may be lost through changes in prices further impels them to press for more, while they have the opportunity.

Unrest thus receives impetus from the Betterment Movement in more than one direction; and affairs are further complicated by changes in the relative position of different trades. Nevertheless the unrest so caused may prove a passing phase. For the return of normal conditions should remove special causes of difficulty, such as the relative worsening in the conditions of the skilled trades. And normal conditions should likewise lead, with the growth of experience, to a wiser attitude on the part of the unskilled. Much will depend upon what happens in the interval, and, in particular, upon the judgment and self-restraint which are displayed by both sides in the immediate future.

In regard to insecurity, it is possible to trace a double influence. The unrest is due in part to the intensified action of normal causes and in part to the prevailing uncertainty of conditions at home and abroad. The existing unemployment is not entirely a new thing. Cyclical depressions of industry were a normal circumstance prior to the war. A depression in fact was nearly due when the war broke out, but was postponed for several years as its result. Hence present unemployment has been much intensified and prolonged, particularly in war trades like Shipbuilding and Engineering. The sense of insecurity has thereby been enormously increased and affects many thousands who in normal circumstances would be free from it. The length of the depression, moreover, diminishes the confidence of the workers in their ability to tide over the crisis. The position is further aggravated by the fact that resources and savings, accumulated during the war, have been dissipated, thus giving a further blow to hopes of betterment. Moreover, the real improvements which have been made in the provision for unemployment, lose much of their influence in averting unrest, partly from the severity of the depression, and partly because they relieve rather than remove unemployment. For they do nothing to meet the genuine desire among the men to earn their maintenance by work.

The influence of unsettlement in Europe may be illustrated by what has followed the Dawes Report. The Report is rightly regarded as a necessary condition of re-settlement, and as such will ultimately help to restore more stable conditions.

But it is one difficulty of the times that necessary measures have often injurious reactions. In this case the coal miners, who, after a very bad period, secured a partial recovery in 1923, are apprehensive of a serious set-back owing to the conditions affecting "reparations" coal. At home the course of food prices, with their tendency to rise, suggests to many that stability is not yet in sight, and creates fears of a general rise which will undo the advantages secured by recent increases in wages. The combined effect of these and similar happenings is a general feeling of insecurity, leading naturally to unrest.

With insecurity, as with betterment, however, there is hope that the special influences of to-day will be temporary. The return of normal conditions will necessarily mean the removal of many special causes of insecurity. Much will depend on what is done in the interval, and a readiness to take all practical measures of relief should prevent the growth of a permanent feeling of bitterness. Moreover, whilst the Betterment movement may have been definitely strengthened, Insecurity should be definitely reduced. For, when normal times return, the more generous provision of Unemployment Insurance should then come into its own, and guard the steady and honest workman more efficiently against the worst results of trade fluctuation.

Apart from temporary measures, therefore, the course of the present unrest will probably depend on the rapidity with which normal conditions can be restored. The longer this restoration is delayed, the greater is the danger that permanent bitterness will grow out of present insecurities. What is needed is a general attitude of goodwill and co-operation on all sides, both in meeting present troubles and in realising each other's case and each other's difficulties.

Such an attitude involves on the part of employers greater openness in giving information and readiness to negotiate and negotiate quickly upon reasonable claims. The workers and their Trade Unions in their turn should refrain from excessive demands, and realise the retarding influence of strikes upon industrial recovery. And of the Press and Public as a whole may be asked fairness and restraint in comment and criticism. For it is in the creation of a feeling of industrial goodwill that the hopes of rapid and complete recovery rest.

All progress towards security of life and employment will reduce avoidable unrest, and it is only in a general will to industrial peace that such progress can find its true basis.

## FOOD FOR THOUGHT.

If a thought-reader could explore the mind recesses of the four hundred or so individuals who form the majority party in the new House of Commons, he would discover one dominant thread running through the otherwise variegated fabric. According to their lights, idiosyncracies and limitations all would be found to be honestly desirous of doing their best for the country and of improving the lot of the great mass of the people. If this unanimity of good intention could be made effective and translated into action the many troubles and perplexities that beset us would quickly be dispelled; but, alas, even the most optimistic amongst us knows full well that unless a miracle happens the old tragedy of too much attempted and too little done will be the epitaph of the present administration as it has been of all its predecessors.

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The complexity of modern life and the unwieldiness of parliamentary government block the path to progress except by slow and almost imperceptible stages but, notwithstanding all obstructions, miracles do occur now and again when an extraordinary effort is made at a time when conditions are favourable. Never was moment more auspicious than the present. A homogeneous and experienced Cabinet, armed with a fresh mandate from the people, and backed by an overwhelming majority in the Commons, has nothing to fear from any quarter and cannot be hindered save by its own shortcomings and imperfections. Under these conditions the wheels of parliamentary procedure should run smoothly, and the Government can go full steam ahead with confidence and in safety. The other bar to progress, that is, the maze of complexity, must be circumvented by a resolute determination to tackle fundamentals with directness and simplicity. Like Ulysses, the steersman of the Government ship must rope himself to the mast rather than waste precious time in the pursuit of non-essentials.

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What then are the elementary requirements which are of such outstanding importance that they can claim precedence over all else? We take them to be, firstly, the cheapening of the food of the people; secondly, the prevention of unemployment; and thirdly, the restoration of trade prosperity. These problems are so closely connected with each other that to solve any one of them is tantamount to solving all three.

Obviously, therefore, the wisest course will be to begin with the easiest, and for that reason we have placed the cost of living first on the list. If the history of recent elections proves anything it is that the great majority of the people are deeply interested in the cost of living. Any prospect of dearer food excites widespread alarm and dominates the whole electoral issue. We are not here concerned with the rights and wrongs of the fiscal controversy, we merely call attention to the fact that the slogan "Your food will cost you more" is one of great potency. This being true, it follows that an accomplished reduction in the cost of living would be the most potent of all arguments so far as public estimation is concerned.

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What really matters, however, is not the applause of the crowd but the achievement itself. Every shilling knocked off the cost of living is a shilling added to real wages, and no greater boon than the mitigation of poverty can be conferred on the people by any government. The expedient of increasing money-wages in the hope of catching up with rising prices is a wild goose chase which at every step taken in that direction leads us deeper into the quagmire of unemployment and of still higher prices. On the other hand cheap food means an improvement in the standard of living for all and makes it possible for us to manufacture goods that will attract purchasers in foreign markets. With the consequent revival of trade the whole position is immediately changed for the better, and instead of having to try to make work for our people by artificial means, a strong demand for labour of all kinds will spring up of its own accord.

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No nation can be happy or vigorous so long as the weekly earnings of a considerable part of its industrial population are barely sufficient to purchase the necessities and the decencies of life. Competent and hard working men and women deserve more than that and more they must have. The question is not between yea or nay, it is one of "how" and the answer is plain as a pikestaff. Since it is impossible, as well as unpolitic, to achieve our object by forcing up money-wages no alternative remains but that of lowering the price of food.

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In many industries sliding scales have been agreed to under which wages rise and fall with the cost of living. This system

is disadvantageous to the workers when prices are going up because there must always be a gap before the wage increase comes into operation. Conversely when the cost of living is on the down grade the gap benefits the workers when wages remain at their former level for an appreciable space of time during which period their purchasing value is enhanced. But even in such cases a minimum wage is usually agreed below which the money wage shall not fall, however far prices may decline, and it is to the best advantage of workers under such sliding scale agreements that the permanent level of the cost of living should be brought down.

Moreover, sliding scales are by no means universal, they apply only to a limited number of workers in certain branches of industry. What of the millions of people whose wages are not adjusted on this basis? Here the problem is at its simplest, as every reduction in the price of foodstuffs is an absolutely net gain.

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The Prime Minister has declared his intention, not once only but repeatedly, of setting up an enquiry for the investigation of the cost of food. He is impressed with the breadth of the difference that separates wholesale from retail prices and is determined to find out how far this wide margin is legitimate. We hope, however, that he means to go further and that the Commission will explore all the many by-ways which surround and intersect the whole question of the cost of living. The Coalition Government, it will be remembered, appointed an anti-profiteering committee with results which were disappointing to those persons who had persuaded themselves that hordes of parasitic middlemen were bleeding the country and defrauding the poor. A few cases of excessive profits came to light but, on balance, the distributing trades sustained the ordeal without discredit.

If the new commission is going to be a success its terms of reference must be wide and it must investigate every aspect of the case from the bottom of the ladder to the top. To increase production, to eliminate waste, to encourage co-operation and to facilitate transport; these would be the achievements that would bring about really big results.

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## DAY BY DAY.

*(A daily Record of the principal events which have a direct bearing upon the maintenance, or otherwise, of peace in industry).*

- Oct. 1st.** The Ministry of Labour index figure for October 1st showed the cost of living to be 76 per cent. above that of July, 1914. The rise of 4 points since September 1st was due to increases, largely seasonal, in the prices of food.
- Recorded changes in rates of wages during September show an aggregate increase of nearly £57,000 in the weekly full-time wages of over 390,000 workpeople and an aggregate reduction of £55,000 in those of 565,000.
- Seventy five trade disputes in progress during September involved the idleness of 28,000 workpeople and the loss of 518,000 working days.
- Employment declined slightly. Among members of Trade Unions 8.6 per cent. were unemployed, and 10.8 per cent. among members of Insured Trades. The Employment Exchanges registered 1,205,000 as unemployed at September 29th.
- The Prime Minister had a long discussion with members of the Miners' Federation on the general state of the coal industry, the operation of the London agreement and the Dawes scheme of reparations. The interview was not made public.
- 2nd.** The Minister of Mines (Mr. E. Shinwell) gives it as his opinion that coal trade depression in this country is not due to German reparations but to the loss of trade with Russia, S. America and Egypt and the great developments in Hydro-electric power. There is, he says, bound to be a diminishing demand for coal and the British mining industry can only face this situation by being brought under a single control.
- 4th.** Class-war. The Labour Minister of Health, Mr. John Wheatley, speaking at an I.L.P. conference, called upon Labour "to unite as a class against those who desire to crush them as a class." He declared the present political situation to be the beginning of a political class war, the direct result of the industrial class war.
- 6th.** Mining industry: The *Daily Herald* states that since April 14th, 1924, 180 coal mines have been closed in South Wales. This closing of mines, it continues, is part of a skilful and deliberate war undertaken to uphold the authority of the owners and to oblige the miners to realise that wage demands must not clash with commercial necessities. In the same article it is announced that 6,000 miners are on strike to enforce the observance of the National Wages Agreements and that the same trouble exists in Kent and Bristol coal-fields. The whole of the unrest is ascribed to a carefully planned scheme to break the strength of the Miners' Federation and prepare the way for a return to the 8-hour day.
- 7th.** The Labour Party opened its annual conference. Mr. Ramsay MacDonald in his presidential address summed up his

political tasks as head of the Government and devoted a good deal of his time to an endeavour to prove that the Liberals and Conservatives were forcing an election. Speaking of his government's unemployment policy he declared that the cure is not yet but can only be discovered after much experiment, labour and adjustment. Communism he denounced as a product of Tsarism with which the Labour Party had nothing in common. The aim of Socialism, he declared, must discover how to produce the willing worker. Unless men make a willing gift of service instead of toiling for reward Socialism cannot survive. A resolution was passed congratulating the Government upon its achievements and especially upon its relations with Russia. Mr. Herbert Smith, President of the Miners' Federation, said that whatever differences of opinion the Premier and the miners might hold as to the Dawes Report the miners would stand by Mr. MacDonald. The relationship of the Communist Party to the Labour Party was decided by three separate card votes by which it was determined (1) that affiliation be refused, (2) that no Communist should be eligible as a Labour candidate for Parliament or any local authority, (3) that no member of the Communist Party should be eligible for membership of the Labour Party.

- 8th. Labour Party Conference: The activities of the Party in Parliament were reviewed by the delegates. Mr. J. R. Campbell complained that the Government's army and navy policy had been a complete repudiation of the principles advocated by the Party when in opposition. In all essentials Mr. Baldwin's policy had been adhered to. Mr. F. Tanner claimed that national defence was nothing more than a defence of the economic interests of various financial magnates. In defending the Agricultural Wages Bill, Mr. W. R. Smith, M.P., (Parliamentary Secretary to the Minister of Agriculture), stated that no definite minimum was named because the agricultural workers' unions could come to no agreement on the question. Mr. Tom Shaw, defending the Hours of Labour Bill, said that seamen were excluded therefrom because the Government could not go beyond the Washington Convention. An attempt to censure the Government's foreign policy was defeated. Mr. J. Bowen spoke of the discontent of the Civil Service workers whose grievances the Labour Government had not attempted to remedy. Mr. W. Robinson, (Distributive Workers), warned Mr. Tom Shaw that the industrial wing would not allow itself to be committed to compulsory arbitration or to any policy that endangered its unfettered liberty to strike. A resolution calling for a scheme for the immediate nationalisation of coal mines was carried unanimously. A resolution calling upon the Government to pass a general measure, based on national ownership and control, for the supply of cheap electric power for all purposes was also carried unanimously.

9th. **Labour Party Conference :** For the information of election candidates the policy of the Party was outlined as follows. It was agreed that unemployment could only be prevented by a fundamental re-organisation of our economic system ; that steps should be taken by nationalising the Bank of England and otherwise to ensure that the control of credit is exercised in the public interest and not in the interest of powerful financial groups. Mr. Lansbury carried a resolution calling upon the Government to devise some means of protecting the country against international combines and monopolies. The means suggested were bulk trading between the British and Dominion governments, the foodstuffs, etc.. so purchased to be distributed by local authorities and co-operative societies. It was agreed that in the interests of British agriculture the prices of farm produce must be controlled and to this end a Board of Supply should undertake the purchase, transport and storage of wheat and meat. Joint Committees should be formed to prepare the way for complete nationalisation.

13th. The Labour Party's election manifesto outlines the Party's immediate programme as follows : (1) Reorganisation of the whole mining industry on the lines of national ownership. (2) Continuance of Rent Restrictions Act and its amendment to provide adequate protection for tenants. (3) Drastic dealing with the Poor Law system so as to secure complete and honorable provision for the sick and infirm, the aged and children and the able bodied unemployed. (4) Taxation of Land Values and such a dealing with agricultural land as will secure its maximum productivity, and with urban land and building sites as would protect the occupying tenants and secure its best use. (5) The development of the electrical power stations on the lines of a national system. (6) A Royal Commission of Inquiry into the working of the licensing laws. (7) Nationalisation of railways and canals. (8) The prevention of profiteering in materials and foodstuffs of all sorts by the establishment of Government and municipal trading.

16th. The Trades Union Congress General Council issued an appeal to its members to support Labour at the election. In this appeal Liberals and Unionists are accused of destroying the Labour Government by means of a cunning conspiracy. A state of open war between the classes is declared, and trade unionists are called upon to regard the crisis as a "constitutional rebellion."

The Independent Labour Party states its views in a manifesto entitled "Hands off the People's Government." A Labour Government returned to power will aim at replacing competition for personal gain by co-operation for the common good. "Common service" will be made to achieve the satisfaction of human needs.

No. IV.

# DECEMBER

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“I am in favour of stable governments, but before  
you get that you have to have stable minds.”



# INDUSTRIAL PEACE

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Day by Day

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# INDUSTRIAL PEACE

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## WAGES AND PRICES.

WE seem to be a curiously illogical people. For the past four years we have suffered from a trade depression probably unparalleled in this country since the factory system was firmly established. During the last three of the four years prices, in many industries, have been at unremunerative levels, and the connection between such prices and unemployment was so obvious that we never thought even of questioning it. About the middle of 1923 trade seemed to show a definite improvement, and since that time there has been an upward trend. The improvement has been very gradual, and there have been checks and hesitations; but early this year we were apparently producing at approximately the same rate as in 1913. As the working population had considerably increased in the meantime—due partly to natural increase and partly to the check of emigration—the 1913 rate of production was clearly not sufficient to absorb all those who would be employed under normal conditions; nevertheless, we were making headway.

During the earliest stages of a revival after a general depression the growth of trade and employment is not accompanied by a rise in prices. Competition is still very keen; there are more sellers than buyers, and trade quotations remain abnormally low. But there are better times ahead, and in due course, when the revival becomes more pronounced, prices stiffen and afterwards show an upward tendency. The rise in prices is welcomed as revealing the improvement in industrial conditions.

When, a year and half ago, the volume of trade seemed to be slowly growing, prices still sagged heavily; but as time went on they stiffened in many industries, and now they are showing a pronounced tendency upwards. But instead of welcoming the change as a symptom of trade revival and a promise of better things to follow, we immediately begin to complain of the rise in the cost of living. We now dread what, two years ago, we were earnestly praying for.

In so far as the cost of living is influenced by market changes in the prices of a few commodities only, there may be, and are, individual causes in operation. Thus, for example, the recent rise in the price of chilled meat is due to the relative scarcity of Australian mutton. The stocks of Australian wool accumulated during and after the war and held

by B.A.W.R.A. had been slowly dwindling during the depression. So long as they were ample for current purposes Australian sheep farmers concentrated their attention on mutton which, being plentiful, was sold in this country at abnormally low prices. When, however, wool stocks dwindled Australian sheep were preserved for their wool and the supply of mutton fell off. Hence the recent rise in price. Again, the prices of some agricultural and dairy products such as milk and eggs have recently shown the customary seasonal advance, while the rise in the prices of other products, such as wheat, is but the shadow cast by an expected world shortage in the near future.

But there is evidence of a general rise in prices in the United States of America. The Federal Reserve banks appear to be embarking upon a policy of cheaper money, which, for the moment, will have the same effect as that produced by currency inflation. The resultant rise in prices may be a purely internal affair and be merely reflected in the rate of exchange, but the trade activity which accompanies it may, and probably will, mean greater domestic consumption and a consequent rise in world prices. The assistance given to Germany and other continental countries may already be producing a marked effect upon the demand from the world markets and thus tending to stiffen world prices. These movements are closely connected with general trade recovery and, in spite of the recent and temporary increase in unemployment, we are hopeful that the present rise in prices is really the symptom of the upward trend of trade and an indication of greater activity to follow. This view is strongly supported by the recent improvements in freight rates to distant shores and (excluding tramp steamer companies) in shipping shares. But we must not expect the same rate of progress in all trades, for it is evident that some are still suffering from the one-sided development of industry during the war.

The rise in prices has added to the urgency of the wages problem, and may make the contrast between 'sheltered' and 'unsheltered' trades even more marked than it is at the present time. Those who are fully employed are enjoying the benefit of what may be called 'depression' prices, that is, prices which do not bear their full share of the true cost of production. Thus the prices of coal and of steel are extremely low when expressed in terms of other commodities and compared with similar prices in 1914. In many of the sheltered occupations wages are governed by cost of living agreements under which advances may become due at an early date. The



result will be reflected in costs of transport, local rates, &c.—the overhead charges of national industry—and ultimately in the cost of living itself. The struggle of the workers in unsheltered occupations will be harder, not because the employers are any more selfish but because their difficulties are greater. If they succeed in securing advances they will find the results are less valuable than they expected: that the advances to sheltered workers will have forced the cost of living still higher. Stated in general terms, there is a danger that general prices and costs will shoot up too rapidly. In the trade revivals of the past there was an upward movement of prices reflecting an adjustment of wages in unsheltered trades, and a similar adjustment of on-cost charges in each industry, until a stage was reached when production was approaching the maximum (without overtime), relative wages in different trades were satisfactory and profits were at the normal level. This was the normal state of industry, and was usually followed by a price boom, high profits and overtime. If wages in sheltered trades were now fixed for a long period (and the cost of living agreements therefore cancelled), if the inflated industries were reduced to normal dimensions, if the undermanned industries—in particular, housebuilding—were so strengthened that they bore the normal pre-war relation to other industries, then we might reasonably hope for a rapid reduction of unemployment and a steady rise in the level of wages in the unsheltered trades. If, however, the cost of living agreements remain in force and wages in sheltered trades rise with the present rise in prices, the latter will shoot up too rapidly, trade will become more uncertain, the revival may be checked and depression and unemployment again become as pronounced and serious as it was early in 1923. Before that reaction takes place the demand for currency and credit will be increased. Either the Treasury will revise the Minute which now restricts the currency issue, in which case we shall be in danger of another period of inflation; or the Bank will raise the rate of discount to the point necessary to check the expansion of credit, in which case it will be blamed for the depression which it precipitates but does not create. If the first industrial alternative is adopted we may witness, along with the definite and permanent improvement in trade and in 'unsheltered' wages, a rise in prices slower than that found in America, a consequent return of the pound to parity with the dollar, and the opportunity for an easy transition to the gold standard. We trust, therefore, that those who are in control of wage negotiations in different industries will take a national rather than a sectional view of their responsibilities.

## REPARATIONS AND THE INDUSTRIAL OUTLOOK.

THE reparation scheme submitted by the Dawes Committee in the spring of this year was accepted by the nations directly affected by it and has now been put into operation. So long as it operates, it will remain the most important factor in the political and economic situation of Europe. Doubtless it will also exercise a profound influence on future negotiations regarding inter-allied debts, most of which are still retained in a sort of international suspense account. Already the miners have revealed their anxiety about the possible reaction of reparations upon the coal industry of this country, while engineers, steel makers and other industrial groups are wondering whether their own industries will be prejudicially affected. The subject is one which should be fully explored, for if, as some people believe, the receipt of reparation is likely to delay the recovery of trade in and for this country, the fact should be made known.

A serious difficulty in writing about the possible effects of the reparation scheme arises from the fact that many readers may not have consulted the report of the Dawes Committee, but relied for their information upon Press reports. It may therefore be wise to begin by giving in outline the essential features of the scheme. One may venture the preliminary comment that it is based upon sound economic principles, and endorses, by implication, practically all that had previously appeared in the pages of this Journal on the twin subjects of reparations and inflationary finance.

The Dawes Committee was not invited to specify the total amount of reparation which Germany could or should pay: that was, and remains, the affair of the Reparation Commission. The Committee's problem was to estimate how much Germany could pay *annually*, and to find some method of restoring the industry and finance of that country so that the maximum annual payment of which it was capable might be forthcoming. It is therefore sheer irrelevance to say, as some people have said, that the Committee has imposed an annual indemnity for all eternity. It is for the Reparation Commission to say when payment shall cease or whether, at any time and for reasons beyond the purview of the Committee, the amount payable shall be reduced.

Clearly the first task of the Committee was to estimate the amount which Germany could pay when her industrial and financial recovery was complete. It estimated that Germany would be fully restored by the year 1928-29, which was therefore taken as the standard year. It further estimated that in that financial year Germany would be able to pay the sum of 2,500 million gold marks, that is, roughly 125 million sovereigns—not paper pounds. Until that year she would only be able to pay smaller—though growing—amounts. If, after the standard year, Germany's industrial and financial strength increased, she would be called to pay more, a complicated "prosperity test" being employed to determine her capacity from year to year. The essential dates and amount are those already indicated.

Having proceeded so far the Committee was faced with three distinct problems. The first was to devise some means of helping Germany to her feet and restoring her strength, not for the sake of the Germans themselves so much as to enable them to pay the annual indemnity. The second problem was to indicate the manner in which the sum representing the indemnity could be collected from the German people, and the third was to make provision for the transfer of that sum from Germany itself to the countries among which the indemnity was to be divided. In dealing with the first problem the Committee was probably guided by the experience acquired by the Austrian Committee of the League of Nations in dealing with Austria. The problems presented by the two countries were largely of the same character. Both Committees found that two steps were necessary, first to prevent further inflation of currency, and secondly to purge the budget of its recurring deficit. Both Committees found that the two problems were interwoven; that budget deficits and inflation were twin sisters and evil sisters; that a budget deficit was inevitable so long as inflation continued and that inflation was inevitable so long as the budget continued to show a serious deficit. Consequently two joint remedies were proposed and their essential one-ness was repeatedly emphasised, as, indeed, it had already been emphasised, four years earlier, by the Brussels International Financial Conference, and afterwards by the Genoa Conference. On the one side it was proposed to establish a Central Bank (or reconstitute the Reichsbank) free from Government control. The Central Bank was to have sole power of issuing notes, and its own power in that respect was to be restricted by being related to the gold

reserve. The linking up of the note issue to gold removed any danger of currency manipulation by a weak and necessitous Government and gave the legal tender currency that rigidity which is found in our own issue, and which was characteristic of all advanced countries before the war. On the other side the Committee endeavoured to secure a budget surplus by wielding the "economy" axe with no less vigour than the Geddes Committee had already wielded it in this country, and with results which can only be fully appreciated when the effects of profligacy in continental countries are examined. There is nothing new in that part of the Dawes scheme relating to the urgent problem of reconstruction. It is almost on all fours with the Austrian scheme.

In dealing with the second problem the Committee was influenced by two important considerations. In the first place the taxes paid by the Germans were incomparably lighter than those paid by the citizens of France, Belgium and this country. The currency *débâcle* had resulted in the obliteration of practically all pre-war and war debts incurred by the German Empire, the several German States and the numerous municipalities. Under the new scheme, it was held, the Germans must be taxed at least as heavily as their former enemies. In the second place, and for the same reason, German industry was relieved of all burden in respect of debentures and other fixed charges, and was therefore in a highly favourable position compared with industry in other countries. Equality in this respect should also be restored. Consequently the Committee divided the sum, payable in the standard year, into two equal parts, of which one was to be secured by means of taxation of the orthodox kind, and the other in the following manner. The State railway system was to be denationalised and placed in the hands of a joint-stock company specially formed for this purpose. Among other things the new company was to create, in favour of Germany's creditors, debentures (first mortgage bonds) to the value of 11,000 million marks (nearly one half the total value of the system), and bearing 5 per cent. interest plus one per cent. amortisation or sinking fund. Thus the railway company would be finding a sum of 660 million gold marks in the standard year. Similarly first mortgage bonds to the total value of 5,000 million gold marks were to be created, under the same conditions, against German industry, excluding agriculture. This issue would bring in a sum of 300 million gold marks, leaving a balance to be met from the proceeds of a transport

tax. The result of this part of the scheme would be to make German industry and transport carry a burden of fixed charges commensurate with that already borne in other countries, and thus prevent the former from occupying an unduly favourable competitive position due to currency debasement; in other words the purpose was to deprive the German industrialists of the adventitious benefit conferred upon them by the currency policy of the government and to deprive the government itself of similar benefit. The net result of this part of the scheme is that part of the indemnity will be finally paid by those holders of gilt-edged investments who were ruined by the currency policy of the last few years; and it has been imposed upon them indirectly by an insidious and reprehensible form of capital levy. The German government and the industrialists have been hoist on their own petard.

Reference may be made at this stage to an interesting historical fact. In this country there is a large body of opinion in favour of the nationalisation of banking and railway transport; many even among those who do not call themselves Socialists are ready to believe that these spheres of activity call for special treatment and may be appropriately taken over by the State. But every international commission which has been set up to reorganise the finances of distressed States in Europe has borne witness to the danger of State control of banking and has emphatically declared not only that a 'private' central bank, free from government control, is desirable but also that it is an urgent necessity. The Dawes Committee further declared that the State railways of Germany were employed in a way which cannot be defended on economic grounds, and recommended that they be denationalised. We do not suggest that this evidence in favour of private enterprise is final; the critic might retort that the circumstances were abnormal, that the Governments were not sufficiently stable and enlightened for their tasks, or that the Committees were already prejudiced against State control. We merely place the facts on record as an interesting piece of history.

Before proceeding to investigate the third problem, reference should also be made to the foreign loan of £40,000,000 proposed by the committee and already raised in favour of Germany. As in the case of Austria, gold was needed to provide an adequate reserve for the proposed central bank, and part of the proceeds of the loan is being employed for that purpose. For the rest the cases of Austria and Germany

differed. The dismembered State had been left, industrially, 'in the air'; new industries had to be created to employ the many thousands whose employments disappeared when the partition of the old Austrian Empire was made. A foreign loan was therefore necessary, partly to tide the country over the period of starvation. Germany, however, was not cut up in the same way, and industrially she remained strong enough to carry on without external help. On the other hand, while Austria had to be granted a moratorium in respect of her indemnities and other external debts, Germany was granted no such moratorium and was called upon to continue payments in kind to France under the London agreement. She was not expected to be strong enough to do that during the first year without external assistance, and the balance of the external loan was intended, and is being used, to finance such payments.

The third and final problem which confronted the Dawes Committee was to devise a suitable method of transferring to the recipient states the annual sum collected in Germany in the manner already indicated. The scheme proposed by the committee seems sound and practical. A 'transfer agent' was to be appointed to receive payment in Germany. The agent was then to purchase foreign currencies as far as it was possible to do so without violently disturbing the foreign exchanges, and to invest the remainder in German securities, that is, to lend the money to Germany. If and when, however, the total amount so invested amounted to twice as much as the standard levy of 2,500 million marks, it was to be accepted as conclusive evidence that Germany was being asked to pay more than the rest of the world could absorb, and the standard levy was to be reduced to a manageable amount.

The last part of the comprehensive scheme is the one which gives rise to feelings of doubt and anxiety in this country. Foreign currencies can only be bought if either foreigners lend to Germany or the Germans export goods and services (thus acquiring claims on foreign currencies) to a value greater than that of the total imports; in other words, if the transfer agent is able to transfer annually the total amount of 2,500 million marks it is mainly for the reason that the German exports exceed the imports by that amount. Can Germany produce so large an export surplus every year without serious injury to the trade of this country? The question is both important and urgent.

*(To be concluded).*

## THE FACTS OF THE CASE IN DIAGRAM, No. LVI.

ALTHOUGH the nation spends something like £150,000,000 a year on bread, not many people outside the trade have a clear idea how the cost of the loaf is built up. Nor, indeed, is it easy to discover the exact truth, for although the materials used are few in number and the processes of manufacture simple in themselves, the business of baking is carried on under such a variety of conditions that it cannot be said that any definite standards exist with regard either to the quality or to the price of bread in this country.

The whole question is now being investigated by the Royal Commission on Food Prices, and it is to be hoped that sufficient information will be elicited for a decision to be arrived at, not only in respect of the cost of producing bread under average conditions, but also as to whether that cost can be reduced.

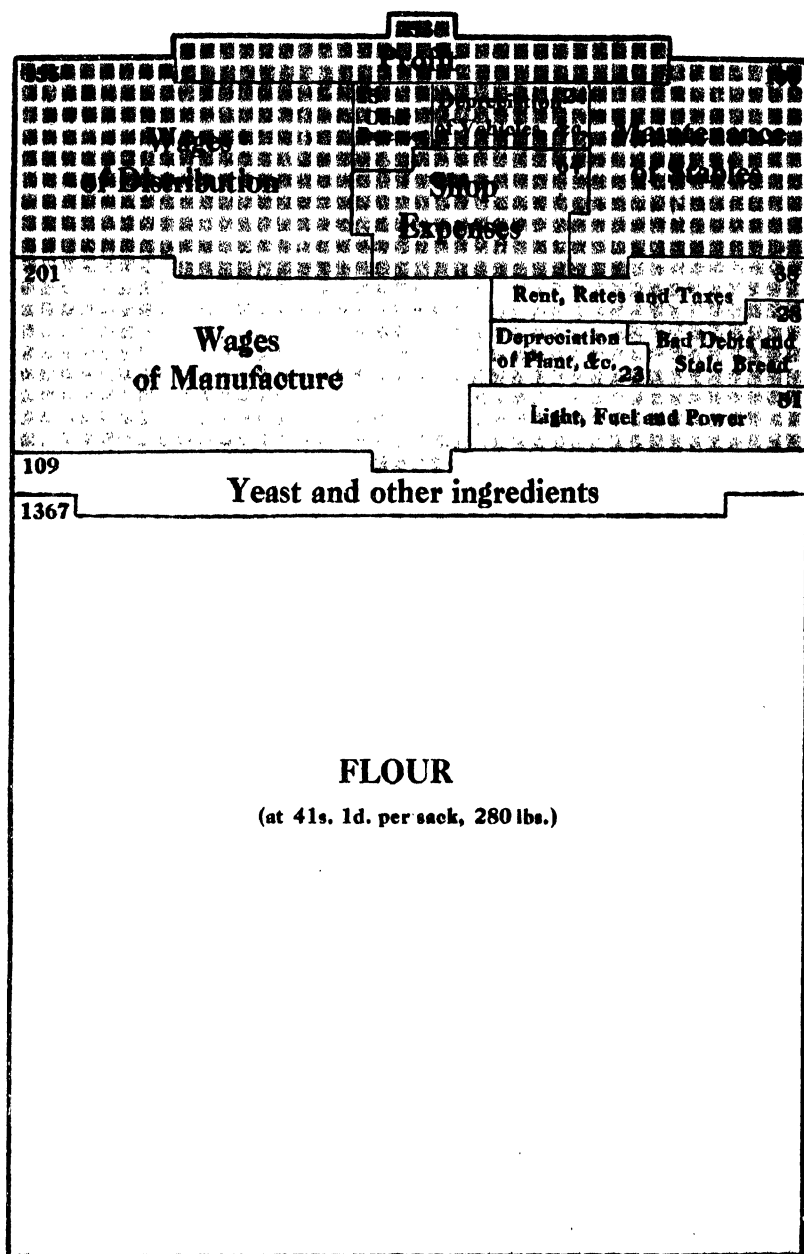
The Bakery trade has grown up in rather haphazard fashion, and little effort seems to have been made to reduce manufacturing costs to a minimum. This is probably due to the fact that the trade is absolutely sheltered. It has no foreign competition to face, nor even home competition, except that of its own immediate neighbourhood. Were it otherwise the wide variations in price now observable in different parts of the country could not continue.

Nobody would wish to deny the bakers their reasonable margin of profit, but it should be brought home to them that wasteful methods of manufacture and distribution are, in effect, even more harmful to the community than profiteering itself. An extra halfpenny in the price of the loaf taken as profit may be anti-social, but an extra halfpenny placed on the loaf on account of avoidable waste benefits nobody—not even the baker.

We are firm believers in the superiority of private enterprise over any alternative method of production and distribution as a general rule, but there are many reasons why bread should be considered and, if necessary, treated as an exception. If, therefore, it can be proved that the cost of the loaf is excessive, either because too much profit is being made or because due economy is not exercised in its manufacture, we should not hesitate to advocate the immediate establishing of municipal bakeries.

# DIAGRAM No. 93.

(Note.—The figures in this diagram indicate the number of squares in each group.)



## PRICE-STRUCTURE of a 4-lb. LOAF of BREAD.

(Week ended 6 January, 1923.)

Based on Linlithgow Report, Table XVII (1).

Scale : Each square of colour represents  $\frac{1}{280}$  of a penny.



The only authoritative estimates accessible to the public with regard to the price-structure of bread are those published in the Report of the Linlithgow Committee. The first of these estimates was based on information supplied by the National Association of Master Bakers, Confectioners and Caterers, which collected *average* returns from twenty-six individual, but anonymous, firms, and sixty-three local associations throughout England and Wales. The results are tabulated in Column 1 of Table XVII in the Linlithgow Report, and the Diagram which accompanies this article is compiled strictly in accordance with the figures there given.

Whereas, however, the calculations of the Master Bakers' Association refer to a sack of flour, Diagram No. 93 contains the results obtained by reducing all the figures proportionally so as to exhibit the price-structure, not of the product of 280 lbs. of flour and other ingredients, but that of the individual four-pound loaf, as sold to the consumer.

It will be seen that the cost of the flour accounts for approximately 61 per cent. of the price of bread, that other materials (*i.e.*, yeast, yeast foods, salt, rice-cones, etc.) come to about 5 per cent., manufacturing costs to about  $15\frac{1}{2}$  per cent., and distributing costs to over 16 per cent., leaving, as profit, the balance of just under  $2\frac{1}{2}$  per cent.

According to these figures the average profit realised by twenty-six individual firms and sixty-three local associations throughout England and Wales during the week ended the 6th January, 1923, worked out at the modest sum of one-fifth of a penny per loaf. If this result is to be accepted as the last word on the subject it is clear that it is hopeless to look for the advent of a cheaper loaf along the line of reduced profits. It must, however, be added that the Linlithgow Committee was unable to accept these figures and said "After carefully weighing the evidence at our disposal we cannot but regard the average figure of  $1/7\frac{1}{2}$ d. net profit shewn in column 1 as below the actual average, and not generally representative of the position throughout England and Wales in the early months of 1923."

In any case a profit of one-fifth of a penny per loaf is practically a negligible quantity and we must look elsewhere for any substantial reduction in price. It is our intention to follow up this question on another occasion.



## EQUALITY AMONG MEN.

It is first to be considered whether equality exists at all, and next, if it exists, whether it is a good thing and to be sought after, and if so, in what measure. Now equality is various, some being abstract, as of numbers, parts, shapes and other measurable things, and some of substances. To have the like number of limbs joined to one body, or the like age, or the like weight, or the like number of children, or of bodily blemishes is equality to be sure, but trivial. It is harder to judge of the men themselves whether they are equal, and if it appear so, how their affairs and the commonwealth should be ordered. The present age favours equality, which it chooses out as its great Mystery, professing boldly with the tongue, but receiving and believing it doubtfully. And if they are two-minded, their fathers were also thus. One age favours equality and the next sovereignty, though doubtingly, and a third equality again, or neither, being weary of both and ready to decay. But it is better to hold to some Mystery, even doubtingly, than to decay : for one age's doubts are naturally resolved by Time into the *Credo* of another, if only their strength hold out.

Now some say, *All men are equal*, and therefore endeavour to make them so, which cannot be managed unless all become perfect. How can those be called equal that are unequal in powers, wisdom and goodness, some lacking utterly the due parts of the soul, or it may be the body, and others having them, but misshapen or feeble? Or they say, *All men are born equal*, hoping thus to escape from their first error, as if a man's own deeds and suffering this and that in the course of his life should undo Nature in him. Some are born weak, some dolts, and some active and shrewd, though all babes appear very like, and so long as they are babes they desire only food, sleep and warmth, and thus seem equals. But if they are to be truly equal, begetting and bearing must be well ordered beforehand, and not only of the children themselves but of their fathers and grandfathers and all their stock. How this may be done those that are so smitten with equality say not. Having tasted of the Mystery they strive enthusiastically after equality; but they will have it that Nature too strives after the same. Thus they further that which Nature herself, they say, intends and teaches. This opinion is truer than the former,

for Nature is an equaliser. Great men often beget sons that are ordinary or even vicious or weak, and bad men good sons ; and few men have wits or virtues or force above the common. Nature therefore subserves equality, but not excellence, nor even viciousness or great defect, being most solicitous for the middling sort. In all races the majority are of the middling sort, though in some they incline a little upwards, but downwards in more. Hence nature may be counted democratical. But the middling are not equal, nor ready to think themselves so. Being disposed in ranks, some above and some below, and some rising and others losing hold, they are sustained the one by pride and the other by envy or despair : though certain shallow speculators deny it, like hasty travellers abroad that cannot tell one foreigner from another. Some men, to tell truth, are neither proud nor envious nor care at all about equality, and these are of two kinds, according as they derive from levity or dullness, or from God's grace. Neither sort is an example or proof of equality, but rather the opposite. The heavy-witted or loutish that perceive not, or flutterers that perceiving care not, are plainly far under the common. As for the other sort whom the love of God has purged of their old itch to be ever comparing themselves with others, equality is as nothing to them, unless it be equality before God. But this is not that equality which those worldly schemers and speculators seek after. They would have men adjudged equal in deserving rather than in humbleness, and in powers and prosperity rather than in the joy of nothingness, as it were, hoping thereby to bring them nearer their worldly desire than God's footstool, which is Love. Love is the true equaliser among men. Through the force of Love superiority and inferiority and all differences become of no account, unless they are too great altogether. Herein Nature too helps, as has been said, by drawing mankind always towards the common, and away from those great vices and excellences that are unapt for Love. Equality is a preparative for Love, and Love in turn increases equality. But many prevent equality from its true use as the servant of Love to assure them gain or place or power, according as selfishness may direct. Such demand to be *equal before the law* or before some particular law. The law, forsooth, shall be equal, interfering with one man no more than with another, and punishing equally. The law's equality is the parent of inequalities. And this equality is more likely to engender envy and hate in the body politic than love. Though it soothe some at the start, as also does that other belauded

equally, namely of *opportunity*, yet before long some are ahead and others are lagging. For middling men, as most are, have like wits, but unlike skill in the use of them and of occasions. If the law is old and strong, inequality increases monstrously, and most where men are longest lived. Thus our allies the Japanese, though their State is very old, live not so long as ourselves, and could not turn equality, if they had it, to so much account. Now selfishness has no inward check, but the course of Nature, by interchange of generations, pulls men's fortunes ever down towards the common, so that if some rise to great riches or power, it is not for long, but others start up in their place. Here is a choice of evils: whether it were better that some should continue long prosperous and the rest below them become accustomed thereto and resent it less, or that none should continue long up, but all rising quickly and falling again should make the State, as it were, to boil and fume. But whichever form of the State is to be preferred, that of the husbandmen or that of the craftsmen, the evil is the same, or nearly. Equality first spurs on selfishness, and next selfishness, prospering greatly, provokes envy, and itself turns to ambition and lawlessness. This is the sorry grief of all that striving after equality, namely to stir up pride, rage and turmoil. One becomes puffed up, having profited by equality, while another, that though he struggles cannot better himself, is disappointed and spent, or if he struggles not, but saves his force, he turns to carping and coveting. Thus equality is a cloak to liberty, which opens out into anarchy, all seeking their own advantage and refusing to be restrained, and this anarchy is hardly to be borne. Fear and jealousy arm them, man against man. Some call on the State to abolish equality, and thereby liberty and inequalities, and to make an end of riches and power. Nay, the rich and powerful themselves beg the State to do somewhat, seeing no hope in going forward and knowing not, without help, how to go back. All alike desire to be saved from each other's craft and passion. In turning withal from equality to sovereignty they save the State too, or at least for a time. But now must the State forestall Nature, which works slowly, and remove those inequalities peaceably, to be sure, and gradually, which were a task for a greater than Hercules, or a wiser than Solomon. It is easier to consent to restraints and checks at first than to endure them afterwards. Though their end be noble or necessary, they begin soon to gall, whereat some men rebel and others grow moody and idle.

Thus the people, after being distraught by equality, are mocked by sovereignty, which would fain cure their evils by disposing some to repugnance and others to sloth. If any doubt this conclusion, let them examine the matter again and say whether that worldly device of sovereignty can truly assuage more than has been said. The revolutionaries, however, will have none of sovereignty, but use force instead to quash all in order to build afresh, as in Russia. They think that the best way to mend an ill game is a new shuffle, being gamesters and paying in blood, their own or others' or both. If sovereignty is worldly and devious, their revolution is ten times hellish. Sovereignty cannot change men's ways greatly, nor revolution their hearts. Those that have lost the golden key of true equality, that is equality before God, live amid annoyance and alarms, even though they escape the major violence. The poison of selfishness makes them desire equality in wrong ways, or needless ones, and for the wrong end: and to be tossed between equality and sovereignty across the smouldering gulf of revolution below is no small evil. Had they love towards God and man, that were equality enough.



## INDUSTRY AND FAMILY ALLOWANCES.

Wages and salaries are invariably regarded in this country as remuneration for services rendered. Their amounts are determined, in principle if not always in detail, by the amount of service given. In private employment no account is taken of the varying needs of individuals. It is true that the rates of remuneration are frequently changed as the result of changes in the cost of living, but such variations in the rates represent attempts to conform with the underlying assumption that remuneration represents a certain purchasing power, or command over the good things of life.

But the needs of individual workers vary according to the number of dependents, and for this reason the wage-system is said to have failed as a system of distribution according to need, which is the ideal to be aimed at. The failure of the present method of payment to distinguish between individual needs has led to a movement in favour of supplementary allowances to married workers in respect of their children. It is held that industrial workers, like soldiers, should receive weekly incomes varying with the claims made upon them by their dependents. The system of supplementing wages by means of family incomes has been established in a number of European states, including France, Belgium and Germany. In all cases it was introduced as a partial remedy for the rapid fall in real wages due to rising prices, a fall which caused greater injury among large families dependent on one wage-earner than among working bachelors with no family responsibilities.

Under ordinary circumstances such a scheme could not be operated by individual employers. Where competition was at all strong the latter would naturally endeavour to reduce their costs by dismissing the heads of families and employing those whose wages did not need to be supplemented. The added risk of unemployment among married workers would therefore neutralise the immediate benefit of the scheme. Two alternatives remain if the scheme is to be of an industrial character. One is that of differentiating between rates of wages payable to different types of workers in a collective agreement between the trade unions and employers' associations. This method is also open to the above objection, though the danger of un-

employment is not so great as in those cases where some employers make individual arrangements with their own people. The second alternative is to establish an "equalisation fund," to which all the employers (either in the district or in the industry) contribute, and from which allowances are made (by an official) to the families of married workers. Such allowances may be paid to the worker (as in Germany) or to the mother, as is often done in France. Practically all the possible variations have been tried on the continent. In nearly every case the allowance is regarded as something distinct and separate from the wage paid for work done, although such allowance is usually withheld if and while the worker is unemployed.

If the principle were regarded as sound the most practicable method of giving effect to it would appear to be that of creating an "equalisation fund" for the whole industry. But is the principle itself sound? We need not attach much importance to the experience of continental countries. The schemes were introduced there during a period of serious currency inflation, when customary standards were upset and emergency measures were necessarily adopted. In the one country (Czecho-Slovakia) where currency was stabilised by great effort, such stabilisation was immediately followed by the abandonment of most systems of family allowances. While currency is being inflated employment is very brisk, prices rise, wages lag far behind, profits multiply, and employers are only too ready to give allowances which secure temporary peace and even make wages more "sticky" than ever. For this reason it may be suggested that the system has not yet been put to the test. Any serious discussion must remain purely speculative in character.

The bachelor's point of view should be put forward. He would argue first that the difference between his expenditure and that of the married man is apt to be exaggerated. He has to pay heavily for his board and lodging: the household services which the wife performs for the married man must also be provided for him; a furnished room costs as much as an unfurnished house, and the food costs more than that of the husband. Moreover, assuming (as we must assume) that the bachelor will in due course get married, he has to save money for the furniture. Again, the children, as they grow up, act as a sort of insurance for old age; the bachelor has to assist his parents, and if he in turn does not get married and bring up a family, he must save for his old age far more than the married man needs to do. These considerations have not received the attention they deserve.

The second comment which has been made is not of the same importance. It is sometimes said that the unmarried man is usually very young and has not yet reached his full wage-earning capacity. The married man is older, performs more responsible work and works more regularly, and therefore receives a larger remuneration. For that reason, it is argued, any further differentiation of income on the ground of family claims is unnecessary. The statement is probably true, in the main, of salaried workers, more particularly those employed in professions where, as in teaching, length of service is admittedly a factor in the rate of remuneration. But it is not applicable to the great majority of wage-earners, who claim and receive the trade union's rate of pay soon after they have completed a term of formal or informal apprenticeship. Where the weekly income is relatively low there is, moreover, no expectation of increase corresponding roughly with the growth of need.

Allowances made out of an 'equalisation fund' or out of any fund created and maintained by employers must ultimately come out of the pocket of the wage-earners as a body. It is a mere incidence that payment is first made by the employers. The fund represents a net addition to the wage-bearing capacity of the industry, and if it had not been established the sums might be, and ultimately would have been, employed in the payment of a correspondingly higher standard rate. Consequently the married workers, under such a scheme, would be in receipt of a subsidy from the unmarried workers employed in the same industry.

The question of subsidising families is not an industrial question at all, and it seems to be a profound error to approach it as though it were. It is not surprising that neither employers nor workers in this country regard the proposal of an equalisation fund with favour. It should be regarded from the standpoint of general citizenship rather than that of conditions of employment. If a system of family allowances is sound in principle the responsibility for the system must be thrown on the State.

The State has already accepted the responsibility in principle. Under the income-tax law exemption from tax is granted on certain amounts in respect of wife, children and (if any) other dependents. Social obligations rather than marriage are the differentia employed in this connection, and of the two the former are the more logical; for a considerable proportion of bachelors are anything but care-free, while a



fair proportion of the wives of income-tax payers either enjoy investment incomes in their own right or are able to supplement the family income by their own efforts. These indirect allowances, however, affect only those whose incomes are relatively high. They do not bring much relief to those semi-skilled and unskilled workers whose wages are near the income-tax exemption limit. Moreover, the latter, if they support families, are compelled to pay indirect taxation which is disproportionate to the weekly wages and cannot be defended on grounds of ability to pay unless the resulting cost of living is clearly taken into consideration in determining the rates of pay. Indirect taxes are imposed mainly upon the necessities and elementary comforts of life. On the other hand, the families of the relatively poor obtain indirect allowances in the form of subsidised insurance (against sickness and unemployment) and free education, including, in many cases, medical and dental treatment; they also enjoy many amenities provided by local authorities. Further, in necessitous cases, school children are given free meals and possibly free boots. As we descend the financial scale still further, we find that many, even before the war, were living in subsidised houses. Since the war practically all the married wage-earners in the country, irrespective of the nature and amount of family responsibilities, have been in receipt of indirect allowances by virtue of the fact that they are living in houses let at rents considerably below the true economic rent under present conditions. The main question must therefore be amended. Family allowances are already granted, both directly and indirectly. The question at issue now is not whether they should be granted at all, but whether they are being granted in the right form and in the right amounts. This is too big a question to be discussed here and now, but it may be suggested that it would be unwise to make gifts indiscriminately with one hand and, with the other, to take away from the same people by means of indirect taxation.

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## CASUAL LABOUR.

THE general results of casual employment are sufficiently recognised. Such are its failure to keep part of the labour supply fully engaged, the consequent loss of efficiency and the growth of an unemployable class. Irregular, wages too, render thrift and foresight in expenditure difficult; and, at the worst, earnings are so low as to be inadequate for subsistence, unless supplemented by the work of wives and children, by Charity or by Poor Law Relief. Other results of the system are also serious. For where the amount of casual employment is large, there is created a body of men to whom industry fails to provide an adequate livelihood. The continuous struggle for a job, e.g., round the Dock gates, the frequent disappointments, and the meagre day's work that is the reward of success, create sooner or later bitterness and hopelessness, leading to a state of mind which is inevitably a hot bed for industrial and social unrest.

Casual Employment involves the existence of a reserve of labour to meet emergencies. Such a reserve is required in the general interests of the industry. Not only, therefore, do the employers benefit by its presence, but the large numbers of workmen who form the more regular staff also do so. This is further emphasised by attempts to regularise the work. For, as with the extension of "permanent lists" at the Docks, it is a relatively small number of more regular men who benefit, whilst a diminishing amount of work is left to be shared among the casuals. Hence the latter feel that their interests are in conflict with those of the rest of the industry; and the influences which ordinarily affect men in favour of peace and regularity, do not operate in their case.

Secondly, casual employment tends to create a class of men who imagine that they have everything to gain and nothing to lose by unrest. The advantages of stability do not appeal to them, because their work is never stable nor regular. Advances of wages, which in themselves may be large, and may affect seriously operating or production costs, are still inadequate to raise the earnings of the casual to a living level. Often such increases are partly offset by decreased employment, for they lead to economies which reduce the amount of work available. The facts have been well brought out by Messrs. Lascelles and Bullock.\* Referring to conditions in 1921, they

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\* *Dock Labour and Decasualisation* (P.S. King, 1924).

say ; " this underpaid section were not unnaturally a constant source of unrest : believing that their condition could not well be worse, they were ready at any time to take action by strike or any other means to enforce their claims, and since they constituted a strong and active section of their Union, they gave little tranquillity to either their employers or the Union. . . . The employers had not bought Industrial peace with their enormous expenditure on increased wages." They quote also a letter written by Mr. Ross-Johnson, manager of the British Docks, during the unauthorised strike of 1923, that " the dockers have had nothing to lose by ignoring the agreements made by the leaders and confirmed by the rank and file." And that " it is always to the interest of this class " (*i.e.*, the submerged fringe of casual labour) " to foment trouble and disturbance."

Moreover, recent developments of Trade Unionism, by absorbing more and more of the casual fringe, have accentuated the trouble, by giving these men a growing influence in their Unions. This influence is inimical to industrial peace, and has probably done much to counteract the efforts of the older men among the dockers' leaders. The casual fringe, wrote Mr. Ross-Johnson, " are the men who are the greatest trouble to the Union Officials as well as to the employers, the most active and loquacious at the Mass Meetings, who terrorise their steady and peaceable mates, carry mutinous resolutions and provide the membership of the Strike Committees." Such action not only embitters feeling among the men, but leads to reaction on the part of the employers who conclude that the men and the Unions are not to be trusted, and are turned against the idea of peaceful co-operation in industry.

Again, the attitude of the casual is usually opposed to that regularisation of labour which must take place if the evils of casualisation are to be removed. For decasualisation almost necessarily involves removal from the industry of some of the most casual ; and fear of this leads many to oppose the change. For here again the change will benefit the more regular men at the expense of the less regular, and the latter are unwilling to be sacrificed.

The influence of casual labour upon industrial relations has been emphasised in regard to the Dock Industries because it is in them that they are most serious. But casual, or at least highly irregular, labour is found in many trades, notably in Building, Ship-repairing and others of the Wood and Metal industries, whilst the big centres of Printing have also their

casual fringe. And in all these effects, seen so strongly in Dock Labour, exist or are to be apprehended. Not only, therefore, does a spirit of unrest and disorder manifest itself from time to time, but an attitude of mind definitely, if unconsciously, hostile to the idea of peace and goodwill is apt to spring up. It is probably true to say that often trades with the least regular employment are the most turbulent. It is possible also that the recent troubles in the Building Industry over the augmentation of labour are partly due to memories of the irregular employment and long-continued depression of pre-war days. In any case, the existence of such an attitude of mind intensifies the need for reform, since not only must present evils be removed, but a new generation must grow up unacquainted with casual work, and possessing the mind and outlook of the regular worker.

The interests of the whole community seem, therefore, to require reduction to a minimum (since complete removal may be impossible) of casual labour; for its chronic insecurity is a clear stumbling block in the way. The road to reform, indeed, will be difficult, and each trade has its own form of casual labour. Other conditions also vary. So every industry will have to seek its own solution of its own problem. Moreover, suggested remedies for casual labour are as easy to put upon paper as they are difficult to work in practice. But it may be worth while to refer briefly to the well-considered suggestions put forward by Messrs. Lascelles and Bullock in their excellent book.

The latter recognise fully the complexity of the problem; they examine carefully the chief methods of decasualisation and set out clearly the difficulties of each of them. They specially deal with three policies, those of Registration, Organised Distribution of Labour, and Maintenance. The first of these means the registration of all genuine dock workers in a port, to prevent a further influx of labour and eventually to reduce the supply to the real requirements of the port. But hitherto registration schemes have largely failed to achieve these objects. Better distribution implies the provision of "surplus stands" or other means of engaging labour, to enable employers to draw men from a single reserve, and so reduce the margin of casual labour to a minimum. But such arrangements also have hitherto broken down, mainly from the refusal of employers, foremen and men to use them, and from the preference possessed by many of the men for casual conditions of work. Clearly, however, both the above

methods will be required, if any real reduction in casual labour is to be secured. The third policy is that of maintenance, namely that since the industry demands a margin of labour, to satisfy its requirements, it is the industry's duty to provide all its labour, whether working or waiting, with enough to live upon. This proposal, though accepted in principle by Lord Shaw's Court, has not yet been definitely applied in this country, but foreign experiments, probably from failure to reduce the number of casual labourers to a minimum, have not been very successful.

Messrs. Lascelles and Bullock argue that, to secure success, all three, Registration, Distribution, and Maintenance, need to be applied together, and that past failures are due to the fact that each has been put into operation separately. Hence their joint application is the first necessary condition of success. Secondly, there has been no financial incentive to induce employers or workmen to carry out the schemes, and many have refused to do so. This financial incentive is to be found in the principle of Maintenance: for if the cost were so apportioned to give all employers an interest in reducing the supply of labour to a minimum and Maintenance were paid only on condition of observing other conditions of the scheme, "there is no reason why the necessary margin of labour should not be kept at the proper level of efficiency."\* Moreover, employers generally can set various economies against the cost of maintenance. The need for specially high rates for casual labour will be removed, efficiency should be improved, and more regular conditions of work and living should make for Industrial Peace.

The problem in the Docks and elsewhere will not yield an easy solution. Each industry or even, in the case of the Docks, each individual port, will have to work this out for itself. It will require full and cordial co-operation of employers and work-people, under conditions in which such co-operation may be unusually difficult. But a solution will mean a correspondingly important contribution to the cause of Industrial Peace. Not only will it remove a serious obstacle within the Trades concerned, but indirectly, by its influence on industrial opinion everywhere, it will favour the growth of friendly relations in all trades.

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\* These proposals are worked out in detail in Chapters XV-XIX of *Dock Labour and Decasualisation*.

## FOOD FOR THOUGHT.

THE Rt. Hon. J. Wheatley, P.C., is earnestly engaged in preaching his triple doctrine of class war, hate and destruction. Mr. Wheatley, Minister of Health under the late Government, cannot be regarded as an irresponsible member of the party he represents. Moreover, when he specifically said, "Until the working-class learns that it is engaged in a class war we shall make no progress." And that "the capitalist order of society has created poverty. It is a hellish system and must be abolished," together with various suggestions as to the futility of moderation and the impossibility of loving the people responsible for the system, he was addressing a select gathering of the leading intellectuals of the Plebs League. The Secretary of the National Council of Labour Colleges, a prominent member of the General Council of the T.U.C., the editor of *The Plebs Magazine*, and various members of parliament can be cited as typical of the gathering.

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Mr. John Blunt, who discusses the implications of Mr. Wheatley's doctrine in an article in *The Daily Mail*, justly points out that here is no question of politics but one of citizenship itself. For the doctrine of the class-war cuts right across the whole life of the country and is the negation of all true progress, because it aims at stirring up hate, which is a barren emotion. Hate and bitterness are destructive, whereas the great need of the modern world is to construct and to build up. All life is a struggle, whether private, business or political. Do we therefore loathe those who are more successful than ourselves and demand by force what they have won? The present system is not ideal, but will it or anything be changed for the better by stirring up hate and distrust? "Class warfare is the first step to Communism which is a tyranny of armed force. The Bolsheviki believed in class warfare and tried to solve their problem by killing off all their opponents. . . ."

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The above paragraphs have been written with the very definite object of emphasizing the fact that we are not blind to the dangers of Communism being brought even into this country through the Labour Party, across the bridge of class-war. But although it is true that Mr. Wheatley is a member of the Labour Party—and a member specially honoured and entrusted with great responsibilities by a Labour Prime Minister—and that a large section of the party pay at least

lip-service to the doctrine, some vociferously, others in timid whisperings, yet there is in the Labour Party a large and powerful section who seek to replace private enterprise by socialism through the medium of the vote. And these men, not the avowed Communists nor the wild disseminators of class-war, are the real menace to the country's safety. It is the doctrine of socialism, patiently taught in every town, village and cottage, that we have to overcome by equally patient teaching, explaining, and, on our side, observing, learning and understanding.

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In planning the methods to be adopted if the doctrine of private enterprise is to be firmly established before the next general election, it is a good thing to acquaint ourselves with, and consider carefully, the exact aims of our socialist opponents and the methods by which they are now setting out to attain them. Many valuable suggestions and ideas can be gathered from recent issues of *The New Leader*, the organ of the Independent Labour Party, a paper which is both inspired by and seeks to inspire the political party.

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In the columns of this paper the I.L.P. announces its decision not to allow its strength to be diverted to a fight with Communism. It has decided that if Socialism is to succeed in adding another three or four millions to its numbers in the next few years, the struggle must be maintained steadfastly and whole-heartedly against Capitalism. The Communist should be ignored, excluded, shunned, but the fight is with Capitalism. They fear that an attack on Communism will only serve to divide their forces and to win recruits for violence. Should we not, too, be wise to profit by the hint and bear clearly in mind that the two things are distinct. Our task is primarily to enlighten Socialist labour. In combating Socialism we destroy the raw material of Communism. Communism can make no headway against an informed people. On the other hand, in attacking Communism we concentrate upon a minority and leave the majority unprotected—a ready prey. Or, worse still, we try to combat both at once and risk a dangerous confusion of method and thought which is only likely to increase both Communism and Socialism.

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Having brushed Communism aside, the I.L.P. defines its task proper for the next four or five years. It is "to deepen

and formulate our own conception of Socialism and convey it to the masses in town and country. We have to show in detail to the workers in field and mine and country what the anarchy of competitive enterprise means for each of their industries in poverty and unemployment. We have to show that not petty regulations can deal with profiteering in food. We have to justify our own constructive schemes and develop them with a fulness and lucidity which will convince . . . We have to face the day-to-day work of organisation and propaganda, especially in rural areas."

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Reverse the ideas of Socialism and Capitalism and we have our own task in a nutshell. In any case our own propaganda should be on a high level, assuming good faith and intelligence in those we would convince, but the urgency becomes more apparent if we realise that our opponents are adopting educational and social methods in place of street-corner oratory. We must deepen our own conception of private enterprise and convey it to the masses. We must justify our own constructive schemes and develop them with a fulness and lucidity which will convince—*especially in rural areas.*

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The I.L.P., the Labour Party and the Trade Unions are unanimous in concentrating upon the rural areas. They have made the calculation and decided that a socialist majority depends upon capturing the rural vote, and their plan is "concentrated propaganda for three months followed by organisation." The propaganda is to be carried out in various special ways. Strong socialist labour districts are adopting "backward areas"; Guilds, including Guilds of Youth, are being formed everywhere, and comrades who have a hobby or are well-versed in history, literature, science, etc., are invited to give up one or two evenings a week to lecturing for the entertainment of the workers. It is estimated that farm labourers seldom exceed one-fourth or one-fifth of the electorate of a rural area, and so attention is to be equally concentrated upon bricklayers, shop assistants, domestic servants and the workers in small industries. Organisation will follow propaganda, for it is felt that while politics touch a man remotely and at uneven intervals, a man's trade union is an integral part of his life. Therefore, every effort will be made to get the men into unions and to inspire the unions with the Socialist spirit. The difficulties of village life, where no union can have a large following, are to be overcome by having a



common meeting ground where farmworkers, railwaymen, builders and the rest can meet together frequently. The T.U.C. has already voted £1,000 for the organisation of rural workers and it is probable that the Labour Party and the I.L.P. will also contribute from their funds. The principal unions concerned are the Agricultural Workers' Union (Mr. R. B. Walker), the Workers' Union (Mr. G. Dallas), and the Scottish Farm Servants' Union (Mr. J. Duncan). The I.L.P. is persuaded that the whole task of winning the countryside is to create a sense of numbers and unity, and it proposes to set itself "with patience and enthusiasm to inspire and permeate and co-ordinate every dormant force which can contribute to this result."

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To attempt to stem the growth of trade unionism would probably be impossible and would certainly be unwise. But again we can borrow something from the methods of our opponents. We can set ourselves to inspire and permeate and co-ordinate every dormant force which can contribute to our desired result. We must go before. We must do everything possible to increase the well-being of the rural worker, to teach him how he can contribute, why there are limits to present advancement and what they are. Cheap food at the expense of the rural worker is in the long run dear food. We must face the fact that if it is desirable to produce a portion of our foodstuffs, a scheme must be devised whereby the agricultural labourer and the farmer are relatively as well off as the manufacturer and the skilled and semi-skilled worker. Cheap food will not cheapen the cost of living if it creates debility, inefficiency and unrest in any section of the people. The Agricultural Wages Act, which provides for the setting up of committees to fix minimum rates, gives us a nucleus around which useful action can centre. Everything that tends to stabilise prices and to secure a closer relation between the selling price of agricultural produce and the amount received for division between the farmer and his men will help. Co-operative marketing should be facilitated and encouraged. The general tone and teaching of the trade unions and their leaders (cited above) should be studied and local workers should acquaint themselves with the local leaders so that they may know what sort of men they have to deal with. A great deal of constructive work can be thought out and accomplished on these lines and if a little negative counsel may be added we should say: avoid condemnation; avoid contempt; avoid denunciation; avoid Fascism. Our task is to understand, to construct and to explain.

## DAY BY DAY.

*(A daily Record of the principal events which have a direct bearing upon the maintenance, or otherwise, of peace in industry).*

**Nov.** The Ministry of Labour index figures for November 1st showed the cost of living to be 80 per cent. above that of July, 1914. This is 4 per cent. higher than last month, and 5 per cent. higher than the corresponding figure for November, 1923.

Recorded changes in rates of wages during October resulted in an aggregate reduction of £44,000 in the weekly full-time wages of over 380,000 people, and in an increase of £29,000 in those of over 280,000.

Seventy four trade disputes involved the idleness of 36,000 workpeople, and the loss of about 377,000 working days.

Employment continued to decline. Among insured workers 11.1 per cent. were unemployed, and among Trade Unionists the figure was 8.7. The Employment Exchanges registered 1,247,000 people as seeking work at October 27th.

**4th.** The special tribunal set up by the Joint Industrial Council for the Tramways industry has presented its report for the Council's consideration. The Report divides the industry into 6 main groups, and provides for wage adjustments in these groups so calculated that no worker shall suffer any reduction and none shall receive more than 1s. 6d. advance on his present rate. Special terms are granted for night work. If accepted, these rates will be stabilised until April, 1926.

The Independent Labour Party, through the pages of *The New Leader*, appeals to its members to prepare the way for an absolute majority of votes at the next General Election. It is pointed out that to do this only requires a growth of two or three million voters in four or five years, and nearly a million were gained during the last nine months. Steady educational propaganda and particularly the fostering of Trade Unionism in rural areas are the methods to be adopted.

**13th.** The National Joint Industrial Council for the Tramways industry have unanimously accepted the recommendations of the special tribunal, and these will be put into immediate operation.

**14th.** Electricity Supply Workers' wages: The National Joint Industrial Council have agreed to accept the main points in the recommendations made by the special tribunal appointed to investigate the men's claim for an all-round increase of 10s. in weekly wages. The tribunal found that no case had been made out for a general increase, but recommended that the district councils should consider existing rates, having regard to certain conditions in each area. It also found that, generally, the level of wages in this industry above that of 1914 was in

excess of the increased cost of living, and that the wage level was higher than corresponding wages in other industries.

*The New Leader* defines the attitude of the Independent Labour Party to the Communists and, incidentally, to all non-socialists. Whilst disapproving of the Russian Communists' methods, the I.L.P. considers the "class-struggle" as the most vital fact of our lives and, therefore, because their aim and the Communists' aim is the same, viz., "to make an end of the system of exploitation called capitalism," the Communists must be regarded as men who are on the same side of the dividing trenches.

The I.L.P., in the same issue, makes a personal appeal to all socialists to win the nation for Socialism. It points out that Keir Hardie set out only 31 years ago to establish a Labour Party from among the members of the older political parties, and to make Socialism the goal of that Party. "While the Labour Party in Parliament is doing its work as the Opposition," the appeal proceeds, "Socialists in this country must be educating the electorate and preparing the necessary organisation for a victory giving Labour a clear majority at the next election. In this work the help of every Socialist is needed, and we make a personal appeal to you to join the Independent Labour Party, which is the great propagandist and educational wing of the Labour movement, and to give your service. It is only by the work which our members undertake in this way that an educated electorate can be won for Socialism."

16th. The Boot and Shoe operatives have accepted an agreement come to by their own National Union and the Federated Associations of Manufacturers. Various improvements in wages and conditions have been granted, and the agreement is to be in force for two years. The Boot and Shoe industry, which employs 78,000 trade unionists, has adopted this method of conciliation for its difficulties since 1915, and its organisation has been proved so efficient that there has been no national stoppage for 29 years.

17th. The officials of the Transport and General Workers' Union, about eighty in number, concertedly left their work and went in a mass deputation to insist that the executive should re-instate Mr. Harry Gosling in his former office. Mr. Gosling resigned office with his Union when he became Minister of Transport, and his supporters believed that the executive were unwilling to re-instate him and decided to use pressure.

Railway engine drivers: The A.S.L.E.F. threatens that there will be a general strike of its members if any attempt is made to increase the day's mileage to 150 miles on January 1st. It will be recalled that the A.S.L.E.F. refused to accept

the findings of the National Wages Board of December, 1923, and subsequently, on January 29th, 1924, signed an agreement accepting modified terms which included a provision that "in January, 1925, 150 miles shall equal one day's pay, unless, in the interval, it is agreed otherwise at a meeting to be convened for the purpose."

18th. The A.S.L.E.F. opened negotiations with the railway managers. Mr. D. S. Humphreys, for the men, explained that the real grievance was that the increased mileage would reduce the men's earnings : he asked that the men should not be called upon to surrender any part of their wages.

A general strike in London electric power stations has been averted by referring the dispute at the Barking station to the Industrial Council and to the engineering unions representing the men not in the industry. The power station men object to engineers, not in their trade, being employed on work at this station at lower rates than would be paid if the E.T.U. men were doing the work. The E.T.U. hopes to establish the claim that men shall not be employed at power and light stations except at rates which the E.T.U. men would receive for such work.

20th. London Dairy workers who are members of the Transport and General Workers' Union recently applied to the executive of that Union for authority to tender strike notices to enforce their demand for improved conditions. The Union has replied that the matter should be submitted to arbitration, both sides undertaking to abide by the findings. The employers are willing to submit to the ruling of a Board of Trade, but the Union desires the establishment of a Tribunal under the Industrial Courts Act. If agreement can be reached on this point a peaceful settlement may be expected.

21st. Barking Power Station dispute : The J.I.C. for the London area of the industry met and considered the Trade Union proposal that in all future contracts it shall be stipulated that men working in London power stations shall be paid at the rates which would be paid if the work were carried out by the men directly employed at the stations. The employers' side of the Council agreed to refer the proposal to the employers' associations.

The London Labour Party's "Labour Fair" was opened by Mr. Ramsay MacDonald, The Labour Fair is being held to increase the election funds of the Party in readiness for the London Municipal elections next year. Mr. E. J. Naylor, M.P., chairman of the London Labour Party, assured those present that if the individual members of the party all polled the London County Council could easily be won next March, after which they could try to capture the boards of guardians and the borough councils.

**23rd.** Barking Power Stations dispute: The Electrical Trades Union made an unsuccessful attempt to bring this strike to an end pending the J.I. Councils' consideration of the facts. Local leaders set up for the purpose of carrying on the strike, refuse, however, to allow the men to return to work.

Mr. James Maxton, M.P. for Bridgeton, Glasgow, in a public speech at Norwich, after insinuating that the Government were likely to attack the workers' standard of living, urged Trade Unionists, Co-operators and others connected with the Labour Movement to resist any reduction in the standard of life. "Do not give up a single halfpenny of wages, or agree to the addition of one half-hour to the working day. Do not submit to any suggestion for speeding you up at the bench or in the workshop."

**24th.** Cotton mills spinning American cotton will increase their working hours to  $39\frac{1}{2}$  per week on December 1st.

The Barking Electrical Power Station men resumed work. The Engineering Employers' Federation, in making an agreement with the Electrical Trades Union agreed to reinstate the strikers, but stated that they were not parties to the J.I.C. deliberations on the question of future contracts. It was agreed "to continue the usual practice as to rates of wages payable," and both parties reserved their respective rights to take such action as they deem desirable upon any decision which may follow the deliberations of the J.I.C.

Railway strike threat: After interviewing the railway managers and stating the unions' reasons for claiming that the mileage rates of engine drivers should not be increased to the maximum of 151 miles per day as arranged in the agreement reached after the January strike, Mr. J. H. Thomas condemned the threat of the A.S.L.E.F. to strike. Mr. Thomas declared that the railway industry has machinery in operation which is capable of dealing with the matter by negotiation.

**29th.** The London Labour Party held its 11th annual conference in London, Mr. T. E. Naylor, M.P. presided. Mr. Naylor was of opinion that in three years the present Government would have justified or ratified its appointment and in either case would appeal to the country. Labour must be ready for its great opportunity then. The London Labour vote had risen from 423,806 in 1923 to 592,899 in 1924 and London Labour had now a solid and permanent foundation. The party's membership was now 376,314 compared with 353,886 last year. Various efforts were made to discuss the admission of Communists to the Party but the Chairman resolutely insisted that the decisions of the National Labour Party must be upheld.

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**JANUARY**

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“The best triple alliance is Brains, Capital  
and Labour.”



# INDUSTRIAL PEACE

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# INDUSTRIAL PEACE



## THE DISTRIBUTION OF THE NATIONAL INCOME.

MANY years ago a Fabian Tract stated that the workers receive only one-third of the annual wealth produced in this country. It is difficult to understand how so absurdly fallacious a statement came to be made in the first instance, but what is even more surprising is the extraordinary vitality with which, in one shape or another, this untruth has survived, flourished and multiplied ever since. Its path can be traced persisting as a dominant note throughout a wide range of socialist literature. Sir Leo Chiozza Money develops the theme in a book, Mr. Philip Snowden quotes Money, Mr. George Lansbury quotes Snowden, the smaller fry of militant socialism quote Lansbury, and all join in the chorus with fervent Amens which, however, are rather the preludes to reiteration than the symbols of finality. Protests and disclaimers have been made from time to time even by socialists, notably by Mr. Robert Blatchford, who confessed that he, in common with most propagandists, had extensively promulgated this particular fallacy. "We" he writes "accepted the Fabian estimate in good faith and we spread it with apostolic zeal. . . . I am inclined to believe it grossly incorrect. . . . I do not myself believe it."\* When once a phrase, or an idea, or, more especially, a suspicion gets a long enough start it is not easily overtaken. This is why official pronouncements as well as the conclusions of serious students like Professor Bowley are left behind whilst this popular fallacy, still going strongly with its second wind, remains some laps ahead.

Even now it is harder to persuade many socialists that wages and small salaries account for the lion's share in the distribution of the national product than it would be to convince a nursery audience that "Mary" of the rhyme was never the owner of "a little lamb."

A very similar statement, dealing with national wealth, is to the effect that "one-tenth of the people owns nine-tenths." The real facts have repeatedly been demonstrated, but here again fiction has managed to prevail against truth. The *idée fixe* has firmly entrenched itself and will not readily be dislodged from the public mind.

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\* Robert Blatchford in the *Sunday Chronicle*, March 23rd, 1919.

We have recently come across yet another variant of this same type of belief and this time from an unexpected quarter. On the first page of "Liberal Campaign Notes, 1924," prepared by the Liberal Publication Department and issued on the eve of a General Election in which Liberalism was fighting Socialism at the polls, we find the following, ". . . there are only 1,110,000 persons who pay Income Tax on incomes of over £300 a year. There are about 22,000,000 adults (over 20 years) in Great Britain; so that 19 out of every 20 adults have incomes below that figure. The incomes of the 1,110,000 persons amount to £1,400 millions, which is about one-third of the total income of the whole population. Thus, one-twentieth of the people absorb one-third of the wealth that is produced."

Here we have a straightforward and simple calculation in which the arithmetic is apparently sound and from which we can obtain the necessary data for the purposes of checking the conclusion and, incidentally, of discovering at what stage in the reckoning error has crept in. Let us, therefore, examine the calculation step by step.

It will be observed that the whole line of argument used by the author of the statement here challenged, is based on the number of income tax payers, i.e., on the number of separate incomes of £300 and upwards. When these 1,110,000 individuals have been deducted from the estimated number of adults in the country we get two groups, one labelled "rich" and the other "poor." The "rich" group consists of the 1,110,000 adults liable to income tax, and the "poor" group contains all the remaining 20,890,000 adults who are not so liable.

This seems all right from an arithmetical standpoint, but the fact is that it assumes a state of affairs which has no actual existence. These 1,110,000 persons are not isolated individuals without kith or kin, but are, in the great majority of cases, the nominal heads of family groups. The effect of the method adopted in the calculation we are examining is to ignore this factor altogether, and consequently a *reductio ad absurdum* is arrived at. A single example will make this point clear. Let us imagine a man with an income of say £10,000 a year, and let us suppose further that he has a wife and two grown-up children. If we proceed on the basis of income tax assessment we get only one return from this group of four persons, and if we follow the above-mentioned method of calculation four "rich" people are counted as one. It is a

large statistical error to exclude three of these individuals from the "rich" group, but it is even worse to throw them into the other side of the scale and to reckon them amongst the "poor," for by so doing the original error is doubled.

If the whole population were divided up into equal family groups there would be (on the shewing of the 1911 Census) 12,525,000 families, each consisting of one man one woman and about one and a half children, on the average.\* On this basis 1,110,000 income tax payers represent 3,885,000 persons who divide £1,400,00,000 between them, i.e. approximately £360 each, on the average. But quite 20 per cent. of this sum is deducted at source for income and super tax leaving £288 net, which is therefore not more than the average net share of each individual belonging to the "rich" group. Contrast £288 with £1261, which latter is the figure reached by the first method of calculation, and we begin to get an idea of the extent of the underlying error in the pamphlet. Nor is this all. According to the figures, there given, 44,240,000 "poor" persons divide £2,800,000,000 which works out at an average of £63 6s. per head. Correctly stated the figures should show 41,465,000 persons dividing £2,800,000,000, i.e. receiving approximately £67 10s. per head. We can now compare the final results as reached by the two methods. The pamphlet makes out that the share of each member of the "rich" group is nearly twenty-fold that of each member of the "poor" group, whilst our reasoning concludes that each member of the "rich" group receives, on the average, four and a quarter times as much as each member of the "poor" group.

Such is the wide divergence separating two estimates based on the same set of figures. But we would go further and say that, in our opinion, the original figures are not a very safe guide—for this reason. It is practically impossible for a really rich man to avoid assessment, but this is not so in the case of those whose income exceeds £300 by a small margin. It follows, therefore, that persons with incomes of over £300 are in reality more numerous than they appear to be, and every such case counts two on a division. Moreover the members of the "poor" group receive, in addition to wages, certain benefits, e.g. free education, out-of-work donation, old age pensions, etc., which are paid for, to a large extent, by members of the "rich" group. Therefore the actual disproportion between the average incomes of the two groups is correspondingly less.

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\* This leaves out of account 1,350,000 single women, but the point is not of importance in this connection.

## REPARATIONS AND THE INDUSTRIAL OUTLOOK, II.

IN the December issue of this Journal we indicated what seemed to us the essential and permanent features of the Reparations scheme submitted by the Dawes Committee. Under the scheme Germany would pay, in a standard year, a total sum of 2,500 million gold marks, or approximately 125 million gold pounds. We pointed out that Germany could only pay by creating and maintaining an export surplus, that is, excess over imports of that amount. What is likely to be the effect of such payment upon the industrial future?

Some people argue that we need have no fear regarding the effects of reparations upon industry. Germany either will or will not be able to maintain an export surplus of the required amount. If she cannot do so she will fail in her obligation to pay the reparation levy. If she *can* do so she *will* do so whether or not the levy is enforced. The levy can do no more than confiscate an export surplus which will in any case exist and consequently the degree and effects of German competition are independent of the indemnity agreement. Such, in its extreme form, is one view which is held by serious students of public affairs.

Others hold that the indemnity agreement, if it is fully enforced, will prove ruinous to British industry. They believe that it would necessitate colossal exports of goods which compete with those made in this country. Our goods would be undersold in all markets, foreign, colonial and domestic, and our exporting industries would be faced with bankruptcy. Industrial salvation is to be found in the cancellation of indemnities and inter-allied debts. So great an authority as Mr. J. M. Keynes seems to agree that an indemnity payment of the specified amount would prove injurious to our great industries, though he would no doubt dissociate himself from the extreme view which has been indicated. Perhaps even the majority of the thinking public are apprehensive of a future in which German exports will be maintained on so large a scale as is implied in the Dawes scheme. Is it possible to predict, with any degree of confidence, what is likely to happen provided the Germans do in fact maintain an export surplus sufficiently large to fulfil the obligations? In endeavouring to answer the

question we shall find it advantageous to deal with the relevant considerations in separate paragraphs.

(1) The first and most fundamental consideration is that there is no obvious limit to the consuming capacity of the world. So long as there are new needs to be satisfied there is room for industrial expansion. The population of the world is steadily growing and there are more mouths to be filled every year. New and higher standards of living appear and are sought; more backward nations are constantly striving to emulate the more advanced. And the greater the advance the more numerous and varied the opportunities for further advance. If, therefore, we take a long and broad view we may confidently say that there is room for the products of all nations, provided we have a well-balanced organisation of production. Those who deny the truth of that broad generalisation are of the kind who, in days gone by, believed that new machinery and all forms of technical progress created permanent unemployment.

(2) Before the war Germany was an important investor of capital abroad. By 1914 it was estimated that her total foreign investments amounted to 1,500 million pounds and that she was annually exporting 60 million pounds fresh capital. If we take into account the fall in the value of gold, the pre-war export would now be valued at almost 100 million (gold) pounds. The standard indemnity payment amounts to 125 million (gold) pounds, which is not much in excess of the annual pre-war foreign investment and is probably less than the sum which Germany would now be investing abroad if there had been no war. During the process of payment or investment there is no essential difference between payment of an indemnity and the export of capital. The former is but the latter combined with the surrender of the bonds. Their *current* economic effects are the same.

(3) The first two considerations assume peaceful and normal economic development, foreign investment being in response and adjustable to world needs and relative German needs. But enforced reparation means, first, compulsory economy in Germany and, secondly, 'export of capital' without immediate reference to world needs. Here we experience the first difficulty. We are or may be deliberately restricting the growth of consuming power in the world. For the effects of enforced German economy will be felt in other countries. If German imports are reduced in order to enlarge the export surplus, those countries which reckoned upon her custom will feel the effects, and their ability to purchase the products of other

countries will be correspondingly reduced. We should not, however, exaggerate the importance of this difficulty. It is an immediate and temporary, not a permanent effect. The consuming power of Germany will grow as its industrial output increases; it will merely start from a lower level.

(4) Before the war the German nation spent vast sums every year on military and naval armaments. Presumably these sums will not be spent in future. Disarmament alone would represent sufficient economy to enable Germany to pay the indemnity fixed under the Dawes scheme. Here, however, we are faced with the second difficulty in the economic situation. The shipyards and engineering shops, the iron and steel works and other factories once employed in meeting armament needs will now be available to assist in creating the export surplus necessitated by the indemnity arrangement. And they will obviously be so employed. While we agreed that the consuming power of the world was capable of indefinite expansion, we assumed a balanced organisation of industry. What we are faced with is one-sided development. Not only Germany but the United States and Great Britain have largely increased the producing capacity of the 'armament industries' (broadly interpreted) while the world has turned its back on armament demands. This is not, however, strictly a question of reparations. Whether or not Germany had to pay the stated sum annually to her former enemies she would obviously have endeavoured to recover her economic strength. The line of industrial development is marked out in advance. The industrial and physical resources of Germany point to development along the path already followed in the past. The danger of German competition in the group of industries which we have specified is only intensified to the extent that the reparations agreement hastens their development. In this connection two further points call for comment.

(5) One is that the standard sum of 125 million pounds does not become payable until the year 1928-9. In the meantime Germany is only required to pay smaller (though increasing) sums. An appreciable export surplus is not within the range of probability for the next year or two, so that an opportunity is presented to prepare for future contingencies. Nevertheless it is possible that the highly developed 'armament' industries will be ready for the international struggle long before the total exports of the country show a surplus over imports.

(6) The second point is that those industries which were so essential for war are also, in fact, the industries most urgently

needed for the economic exploitation of new regions. If, therefore, capital development could be hastened, the world would be creating a new market to take the place of the armament orders in Germany and elsewhere.

The above seem to us to be the most important and relevant considerations in the problems raised by the Dawes scheme. On analysis we find that those who minimise the importance of its effects upon British industry are nearer the truth than those who believe that reparation payments are necessarily harmful to the receiving country. The recipient does not necessarily receive the goods: it receives the payment for the goods, and the latter will follow market demands wherever they are expressed. There is an intermediate period which may present considerable difficulty: but the difficulty is due less to the indemnity payment than to the one-sided development of industry, and it would still exist even if the indemnity were cancelled. It will be the more quickly and easily overcome if new countries open up their regions to capital development, in which case Germany will assist in furnishing the goods (as in the days of old), and the right of ownership in those goods will be transferred to the recipients of the indemnity. We may therefore venture the conclusion that if the Dawes scheme is a symbol of returning sanity in economic and political affairs throughout the world, its operation is more likely to usher in a period of prosperity for British industry than to prove ruinous to some of the most essential parts of it.

*(Concluded).*



## THE FACTS OF THE CASE IN DIAGRAM, No. LVII.

NATIONAL wealth is a subject which is often talked about, but seldom understood. This or that country is said to be rich or poor, as the case may be, without any indication being given whether the speaker is referring to its accumulated capital or to its current national income.

If we wish to compare the wealth (whether capital or income) of one country with that of another it means little or nothing to say that either possesses wealth to the estimated value of so many millions of pounds unless we also take into account the relative size of their populations at the same time. A nation consisting of ten million people and owning accumulated capital valued at a thousand million pounds may be reckoned as twice as rich as another which, though possessing the same nominal amount of capital, has a population of twenty millions. Nothing, we might think, could be more obvious than this conclusion (for what it is worth), but the fact remains that comparisons are often made on the insufficient basis of gross figures alone.

In the past, moreover, such figures have not infrequently been exaggerated. A classic example is that of the French, whose own valuation of their national wealth was used against them by Bismarck when arranging terms for the evacuation of Paris, with results that did not add to the popularity of statisticians who had erred on the side of over optimism.

At the present time comparisons between the wealth of the nations that took part in the great war have increased in importance because questions of Reparations and of Inter-Allied Debts depend, in some measure, on the relative riches or poverty of the different states concerned. For this reason there is a danger that interested parties may be tempted to select for comparative purposes estimates which seem to favour their own cause, but this will be difficult in the face of already existing statistics which have for some time been generally accepted as approximately correct. Great changes, no doubt, have taken place in recent years but these are not of a magnitude to invalidate the results of previous research, after appropriate adjustments have been made.

In the diagrams illustrating this article we deal exclusively



with accumulated national capital, leaving the question of national incomes for future consideration. Diagram No. 94 refers to the year 1922, and gives gross estimates of the capital owned respectively by eleven important countries. In Diagram No. 95 the investigation has been carried a step further in the case of six of the above-mentioned states by dividing the gross wealth by their population at various periods and stating the results as the average capital per head possessed by the inhabitants of Great Britain, America, Canada, France, Germany and Italy in each of the years 1870, 1890, 1912 and 1922 respectively.

The United States is one of the few nations which take periodical wealth measurements and our figures for America are derived from official census reports for the four years charted in the diagram.\* In the case of the United Kingdom the estimate for 1870 is based on Giffen, that for 1890 on Mulhall and those for 1912 and 1922 on Crammond. In the case of France the authorities quoted are Mulhall, Thery and Crammond. In the case of Germany, the "Encyclopedia Americana" for 1870 and 1890, and Helfferich for 1912 and 1922. In the case of Italy, Mulhall, Stamp and Crammond, and in the case of Canada, Mulhall, Stamp and Coates.

The chief items forming the "estimated value of the national wealth" of America in 1922 were approximately as follows:---

Real Property and Improvements	55 per cent.
Clothing, furniture, etc.	12 „
Manufactured products	8 „
Railroads and their equipment	6 „
Machinery, tools and implements	5 „
Livestock and agricultural products	4 „
Street railways, telegraphs and telephones	2 „
Remaining items	8 „

In the United Kingdom the "accepted method of ascertaining the national capital wealth is the capitalisation of the income tax statistics, so far as they cover the ground, supplementing the results by estimates for the remaining items." This method of valuation depends for its accuracy on the correctness or otherwise of the number of years' purchase employed to capitalise the annual profits but, as Sir Josiah Stamp has pointed out, "it has the merit of continuity and also of being practically the only one available to present a comprehensive

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\* Fuller details may be found in the monthly letter for December, 1924, circulated by the National City Bank of New York.

historical test of accumulated wealth." [Stamp—*British Incomes and Property*.]

Broadly speaking, material wealth can in practice be estimated only in two ways. By the first method an inventory would have to be made of all assets and their value expressed in terms of their original cost, less depreciation. By the second, the nation is considered as a "going concern" and its assets are valued on a basis which is determined in accordance with the amount of future income that they may be expected to produce. It is this second method that is usually adopted in investigations of this nature and although it is greatly to be preferred to the other it has its limitations. From any statistical tables which are compiled on this basis two forms of wealth are excluded, *viz.*, the *natural* wealth that has not hitherto been exploited and the *human* capacity that has not so far been developed. A nation possessing no accumulated capital worth mentioning might nevertheless be potentially wealthy whilst, conversely, another nation that had used up its natural resources would be potentially poor notwithstanding its accumulated capital. If, for example, Britain should exhaust her coal measures without discovering some alternative source of cheap power to take its place she would very quickly lose her position as one of the richer communities of the world. On the other hand, the wealth of Sweden, which resides mainly in her forests and water-power, appears relatively inconsiderable when calculated on the basis of her present timber trade and of her existing installations of hydro-electric plant, whereas her potential wealth in these directions is incalculably great.

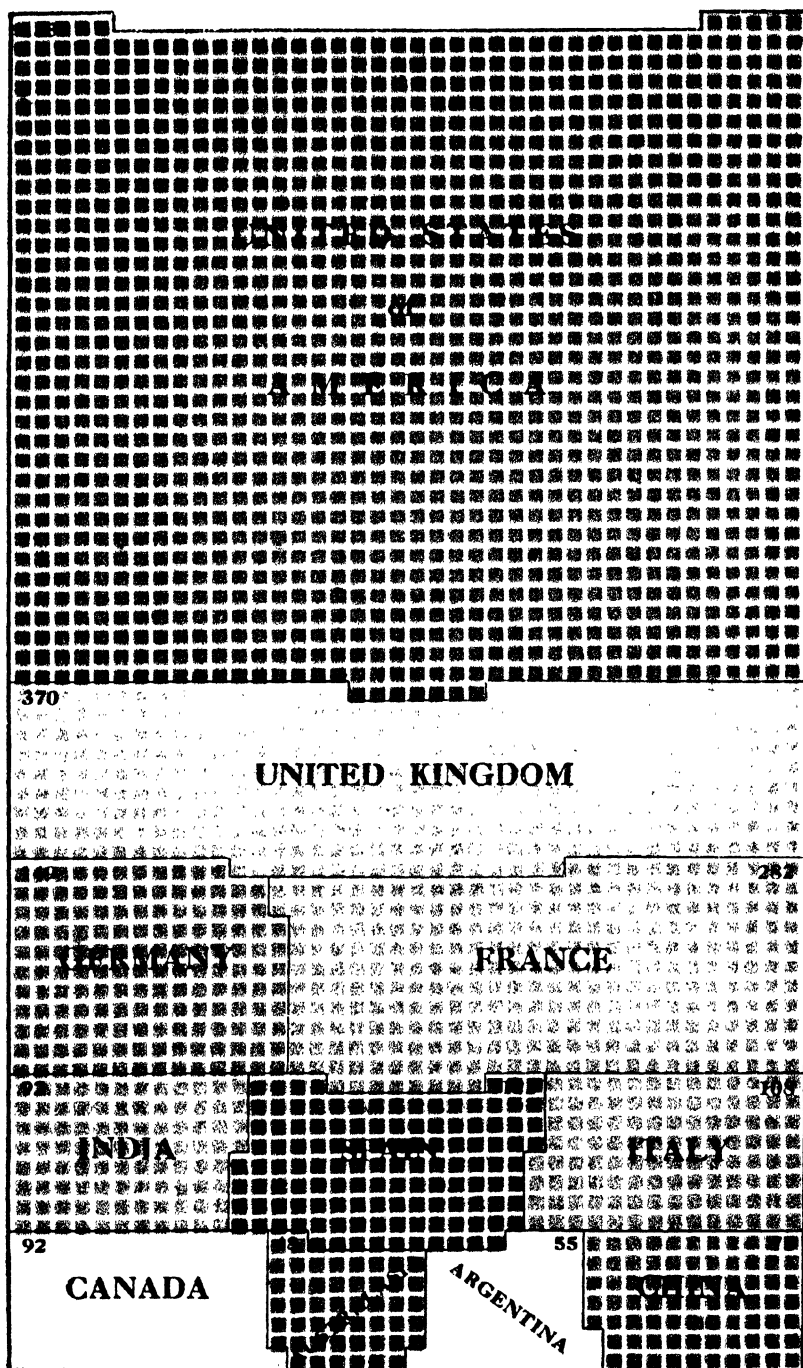
It should be remembered, therefore, that given an ample reserve of natural resources and a sufficiently able population to exploit them to the best advantage, there is no reason why any nation should remain poor, because it can always command the services of accumulated capital for development by mortgaging part of its future prospects, as long, of course, as its credit is unimpaired.

The outstanding feature in our diagrams is the ever-increasing wealth of the United States. It will be seen that the percentage of increase in accumulated capital in America far exceeds that of any other part of the world, and it is inevitable that the causes of this phenomenon should be studied elsewhere with a view to discovering the secret of American prosperity.

An examination of the industrial efficiency of Great Britain as contrasted with that of the United States reveals many

# DIAGRAM No. 94.

(Note.—The figures in this diagram indicate the number of squares in each group.)

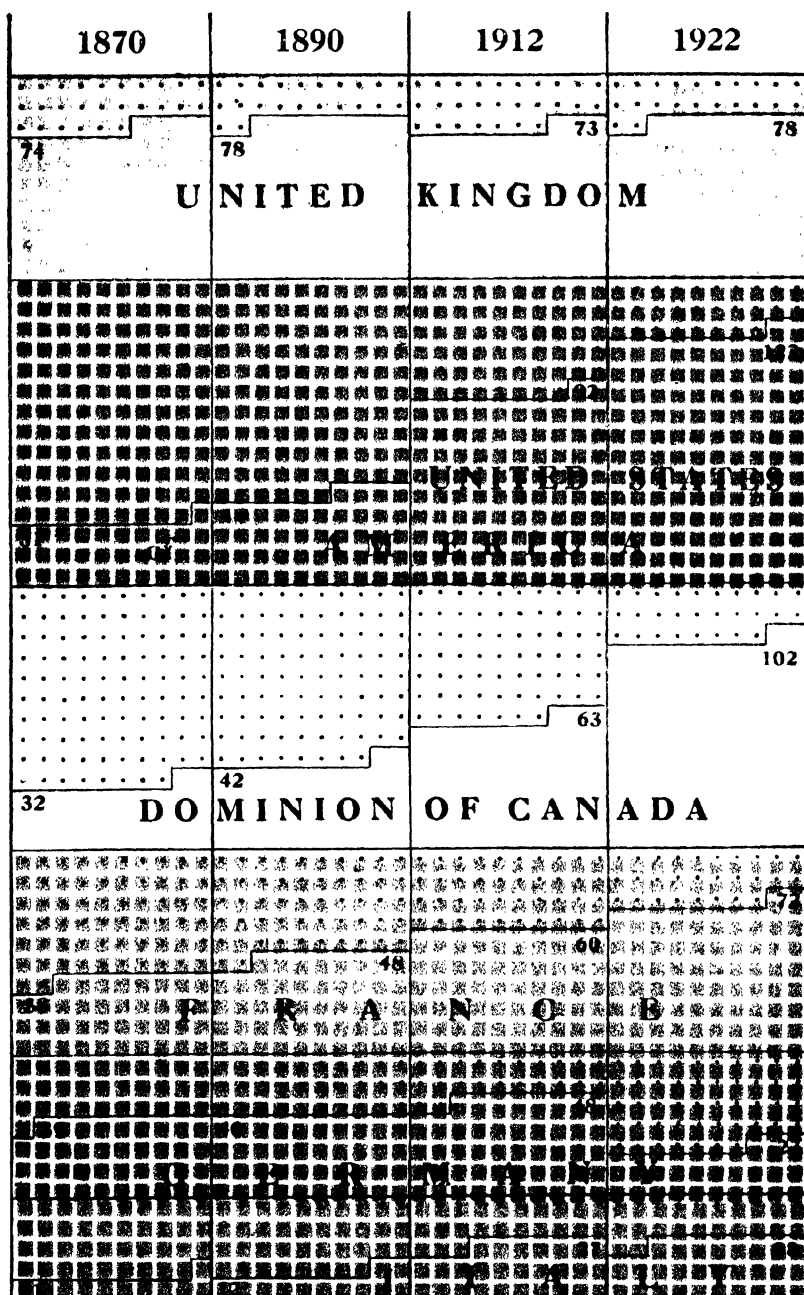


**ESTIMATED CAPITAL WEALTH of CERTAIN STATES in 1922.**

Scale : Each square of colour represents Fifty Million Pounds Sterling.

# DIAGRAM No. 95.

(Note.—The figures in this diagram indicate the number of squares in each group.)



**CAPITAL WEALTH PER HEAD** of the Population  
of certain STATES as estimated at various periods.

Scale: Each square of colour represents Five Pounds Sterling.

points of interest. We dealt with this question at some length in Diagram No. 18, which we published four years ago and in which we compared the relative productivity of the two nations. We shewed that, in the year 1909, the amount of capital invested in industrial undertakings, per wage-earner employed, was between two to three times as great in the United States as in the United Kingdom, that the amount of horse-power per thousand workers was more than twice as much, that American output per head exceeded British output per head by 200 per cent., and that British wages fell short of American wages by a similar percentage. Since 1909 these tendencies have continued and there is no present indication of any coming change in these respects.

Another significant fact which is clearly demonstrated in diagram No. 95 is that the United Kingdom, alone amongst the six nations represented, has ceased to make progress in the direction of additional wealth accumulation during the last half century. To search out all the origins and to investigate all the causes of this state of affairs would be a task beyond the scope of the present article, but it will not be out of place to throw out a few suggestions as to the course that such an enquiry might follow.

In the first place it is clear that we cannot both have our cake and eat it. Our standard of living has been steadily improving and we are spending more and more upon food. This, of course, is all to the good in itself and would involve no disadvantage of any kind if our productivity had risen "*pari passu*." But otherwise, a point must eventually be reached at which further improvements in the standard of living will be impossible, and if, after that, productivity continues to grow at a slower rate than the population, our standard of living must decline. In the second place there is the question of taxation. There is no great industrial organisation in the world which over a long period of years has been so rigorously taxed as the British. Death Duties, Super tax, Income tax and Rates are all on a scale so high that it is extremely difficult for most people to devote any part of their income to provision for the future, and the level of national savings is consequently failing to maintain its one-time standard. It is true that the money raised by taxation is used for beneficial purposes, but even so, there is a limit beyond which we cannot afford to go, unless we are content to see our national capital dwindle. In Diagrams 34, 35 and 56 of this series, we exhibited the growth of public

expenditure on certain social services during recent years and a summary of the figures then given may usefully be repeated in tabular form, as follows :—

	1891	1901	1911	1921
Education	12,000,000	21,000,000	35,500,000	89,800,000
Relief of the Poor	10,600,000	14,100,000	18,300,000	34,600,000
Miscellaneous	2,300,000	3,900,000	5,500,000	13,800,000
Old Age Pensions	—	—	9,800,000	20,800,000
National Insurance	—	—	—	40,700,000
War Pensions	—	—	—	100,900,000
Totals	24,300,000	39,000,000	69,100,000	300,600,000

The expenditure included in this table is limited to that which is defrayed from Parliamentary votes and grants, local rates and other receipts accounted for, by or to, Government Departments and Local Authorities. It does not include sums expended out of Loans.

It goes without saying that a large proportion of the above mentioned expenditure is a direct consequence of the war and, of course, the enormous waste of capital which took place between August 1914 and November 1918 must be reflected in our national balance sheet, but it may be observed that in the case of France, in spite of her devastated area and notwithstanding her depreciated currency, there has been no set-back to her progressive accumulation of capital per head since 1870.

Another direction in which we have indulged ourselves unduly during the last decade or so has been our partiality for industrial unrest. The United Kingdom is not the only country in the world where strikes occur, but we certainly out-distance all our rivals in the number of working days lost and in the disturbance of trade brought about by this particular extravagance.

Accumulated wealth, or capital, is as important to a nation as to any other undertaking upon the success of which the welfare of numbers of people depends. It is the source of most improvements and the parent of all new developments. Wealth comes from product, and if the standard of living, plus taxation, is equal to the product there can be no annual addition to accumulated wealth.

## ROYAL COMMISSIONS.

IN recent years, public business has attained such a degree of complexity, that it has become almost a matter of custom for Parliament to refer matters requiring full and impartial investigation to commissions of enquiry appointed specially for the purpose. These may be Statutory, if appointed pursuant to an Act of Parliament, or Royal, if appointed by His Majesty on the advice of the executive. An example of the former is the decennial Commission of Enquiry provided for in the Government of India Act; as an example of the latter may be taken the Royal Commission on Food Prices at present sitting. A Royal Commission is usually authorised by the terms of its Royal Warrant to send for "persons and papers"; but in practice, it has no means of enforcing this authority in the event of default. Whenever, in the past, coercive powers have been thought necessary, and such cases have been rare, a special Act of Parliament has been passed for the purpose. Power to administer oaths is similarly contingent on special Parliamentary sanction in each case. The constitutional position regarding the right to appoint Royal Commissions has, at times, been called in question, but it may be said that the practice has now become an integral and recognised part of our system of government.

The selection of Commissioners is always a difficult problem. There has been a tendency, at times, to aim at ensuring that all shades of opinion should be represented. This may be an advantage in some cases, but its importance can easily be overrated. Too frequently, it results in unwieldy Commissions, handicapped from the start by disharmony and prejudgment of the points at issue, doomed to the lengthy, *ex-parte* and probably disputatious cross-examination of witnesses, and finally to interminable discussions within the Commission itself. Experience would seem to suggest that so far as any principle is followed in the selection of Commissioners, the public interest is best served by the appointment of persons who are not involved in any way in the "interests" under enquiry, but who have a wide knowledge of men and things, and a reputation for sound practical judgment. Hence, the qualities associated with what is commonly known as a judicial mind, namely a capacity to sift evidence, to discriminate between the relevant and the irrelevant, the true and the false, must always be the ideal equipment for Royal Commissioners.

A subject of paramount importance is the procedure which

the Commission may decide to adopt, and, in this respect, the Commission has its fate in its own hands. Usually, witnesses are invited to submit a preliminary statement in writing of the evidence they propose to give. This may be merely a list of headings, or a concise summary, or, as in recent years, it may be a full statement which is recorded as the witness's evidence-in-chief. This is circulated to the Commission some days in advance and forms the basis of oral examination when the witness is called. Gradually, but surely, the written word is displacing the spoken word in the procedure of Royal Commissions; as the significance of documentary evidence increases, so that of oral examination declines. Like the House of Commons, Royal Commissions have, however, a great affection for the spoken word; tradition dies slowly, and this shifting of the centre of gravity from the witness-box to the written statement must, therefore, necessarily be a gradual process.

The device which has contributed more than anything else to enhance the importance of written as opposed to oral evidence is procedure by *questionnaire*. In 1910, a Departmental Committee appointed by Mr. Winston Churchill, then Home Secretary, and presided over by the late Lord Balfour of Burleigh, reported\* on the whole question of the procedure of Royal Commissions. It expressed the view that "the most obvious and generally accepted method of relying on oral evidence should not be adopted without considering other methods." Then again, having regard to the costliness of verbatim reports, the Committee observed that "probably some witnesses must be heard orally, but it should be carefully considered whether the expense in this direction may not be limited if a comprehensive and carefully elaborated series of questions were prepared by the Commission to be submitted to all intending witnesses. The questions should be on all the points on which the Commission is anxious to obtain information."

Probably the best recent example of the *questionnaire* method is afforded by the Royal Commission on the Indian Civil Services. Two comprehensive *questionnaires* were prepared in this case and circulated to certain witnesses.† This Commission found itself, however, unable to dispense with the oral examination of witnesses, and over 400 were examined in the course of a few months, but not, apparently, before, in most cases, a mass of important and relevant material had already been received and digested.

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\* Cd. 5235.

† Cd. 2128.



The extent to which written evidence can be substituted for oral evidence must, of course, depend largely on the nature of the investigation concerned. Probably in no case will oral evidence ever be entirely dispensed with. The advantage of the questionnaire method is that it reduces such evidence to an absolute minimum and increases its usefulness beyond measure.

Where the enquiry necessitates an elaborate investigation into costings and other actuarial data, for example, it follows that the mere oral examination of witnesses can never lead very far. Certain fundamental data must first be assembled by the questionnaire method, summarised and critically analysed before the Commission is in a position to embark on the cross-examination of witnesses. To cross-examine interested witnesses without such preliminary material may be putting the cart before the horse, and result in a deplorable superficiality when circumstances may demand most profound investigation.

In any event, oral evidence is, at best, a cumbrous and antiquated method of arriving at the truth. A witness who has given time and reflection to the preparation of his written evidence is not likely to be able or willing to add to it in the witness box, or to improve on its clarity when harassed by the questions and interpolations of Commissioners. In theory, the baiting and cornering of witnesses may, at times, result in sensational disclosures; in practice it does nothing of the kind. It has been the experience of more than one Commission in the past few years, that the stress, strain and worry of time-absorbing oral examinations have rarely been worth while, and that the evidence given from the witness-box has not added one jot or tittle to the representative information assembled from the written statements put in.

Moreover, in these days, few Commissioners, however public-spirited, can devote more than a fraction of their time to the work of a Commission, and then only for a limited period. Indeed the comfortable ambling along the never-ending road of oral examination, is a procedure which no present-day man of affairs could contemplate with equanimity; there is little doubt that the advantage of first-rate business brains and experience is often denied to Royal Commissions for this reason.

By all means let us have Royal Commissions; they are curiously satisfying to the general public. But the time has arrived when Royal Commissions, however august, can no more be absolved from the necessity of adopting business-like methods than any other Governmental or quasi-Governmental institution.

## WAGES.

IN a question recently set in the final examination on Political Economy conducted by the general examining Board of the Chartered Accountants of Scotland, the candidates were asked to comment on the following imaginary conversation :—

Workers' Delegate: "The cost of living has risen since last we met, and the standard of living of our members has fallen, though they work quite as hard as before and deserve the same real reward. We therefore appeal to you for an advance in wages rates."

Employers' Representative: "We accept the facts which you state, and are anxious to do what is just. But we suffered losses last year, and the prospect for next year is as dark as it can be. We cannot pay what we do not receive. The industry will not bear an advance in wages—it cannot, indeed, continue to pay the existing rates, and we are therefore compelled to ask for a reduction."

It would be interesting to read the comments submitted by a group of youthful candidates upon this conversation, which goes to the heart of the present industrial problem and raises questions which baffle far more experienced people. It is well that future accountants should be required to face vital issues, for we must look to them, among other people, to guide the community in its search for some acceptable principle of justice in economic affairs. They, more than any other group, are in possession of the facts of industry, and by training and experience they should be in a position to elucidate useful principles for the guidance of the public. Nor is it without significance that the question should be submitted to the Scottish accountants. For we know that Scotland is relatively more dependent than England upon those industries—coal mining, steel manufacture, engineering and shipbuilding—which are in a particularly unfortunate position at the present time, and in regard to which the quoted conversation might easily be less imaginary than real. The cost of living has actually been rising during the last few months, and available evidence suggests that it will continue to rise for some time to come. But it is not accompanied by any marked increase in the capacity of the 'unsheltered' industries to grant an advance in wages rates which, even before the rise in food prices, were unduly low. Such industries, in the main, produce capital goods, the prices of which still appear to be on

unremunerative levels; nor is there any immediate prospect of improvement.

Most of us feel baffled by the difficulties of the situation. We realise the force of the workers' argument. Its essential justness, under normal conditions, was accepted by the Governments which passed and extended the Trade Boards Acts. The framers of those acts did not venture to lay down any guiding principle of wage determination. They allowed the separate Boards to deal with the problem in their own way. The last government, in the Agricultural Wages Act of last year, did indeed toy with the question of principle, for the act states that "in fixing minimum rates a Committee shall, so far as practicable, secure for able-bodied men such wages as in the opinion of the committee are adequate to promote efficiency and to enable a man in an ordinary case to maintain himself and his family in accordance with such standard of comfort as may be reasonable in relation to the nature of his occupation." But this enactment begs the question at issue. The words "so far as practicable" destroy any value (or danger) which the rest of the sentence contains. The Agricultural Wages Committees are left as much in the dark as any of the Trade Boards established in other industries, and we imagine that the conversation which we quoted above is being repeated, in substance, by all the Boards and Committees which are now in operation.

The problems confronting the great unsheltered industries to-day are even more difficult than those which normally confront the Government Boards and Committees. The latter may at any rate fix reasonable rates relatively to those paid in the majority of organised trades and accept the consequences. They may plausibly argue that an industry which cannot normally pay a reasonable rate does not deserve to live, and they may readily accept the possible permanent constriction of the trades which they control. The conciliation boards in the great unsheltered industries cannot legislate on that principle. Theirs is a temporary problem due to abnormal trade conditions. Under ordinary circumstances before the war wages were relatively high: there is no 'sweating' problem to be considered. Masters and men are in the same box; they cannot help each other because they cannot help themselves. They cannot commit industrial suicide by fixing uneconomic rates of wages. In the first place there are no alternative industries which could immediately employ those additional workers who would be thrown out of employment by the establishment of such wages. The latter would be thrown on the unemployment insurance

fund and upon them would be concentrated most of the burdensome effects of the higher rates and additional depression in trade. In the second place the industries, in their present form and size, will again, in due course, be required by the community. It would be sheer waste to destroy firms and factories and disperse groups of workpeople now if later they will need to be replaced.

Some of the unsheltered industries—coal mining and iron and steel manufacture—have long agreed upon certain principles of wage determination. Basic wages are paid which are supplemented by amounts fluctuating with net proceeds in the one case, and prices in the other. In other industries the rates of wages are reviewed from time to time and varied according to the conditions then prevailing. It is in these that the difficulties are most acute and in which ‘conversations’ take place similar to the one which we have quoted. In such cases one of the obstacles to agreement in the past has been the difficulty of submitting the assertion of employers to the test of facts. Negotiation has been conducted in an atmosphere of suspicion and mistrust. But in the engineering industries the employers have now tabled many of the essential facts and factors, and already the results have been encouraging. Recent experience has shown that adequate publicity is an essential preliminary to successful negotiation and industrial peace. Employed workers are no less anxious than the rest of us to do what is right, and if they are to do what is right they must be provided with those facts which are relevant and essential to the formation of a correct judgment. We are all apt to be suspicious of the other man. Employers are frequently suspicious of their competitors. Trade Unions often mistrust each other. We cannot therefore pretend to be surprised when the workers discount the assertions of employers in wages negotiations unless the latter are prepared to support their statements with evidence.

We do not pretend to be able to say what course should be followed under the circumstances now prevailing. Naturally the matter must be left to the parties immediately concerned—the employers who have to find the wages week after week and the workers who have to live on them. We cannot but rejoice, however, at the signs that negotiations are being conducted to a large and growing extent upon a basis of facts likely to be accepted by both sides.

## HARMONY AND DIVERGENCE IN INDUSTRY.

"THERE need be no undue alarm for the future of the country so long as we are prepared to face the outlook boldly, but we must not fight shy of hard work and must recognise the necessity of working together." These words, in a recent address by Sir Herbert Hambling to the Institute of Bankers, illustrate the growing tendency to insist upon the need for co-operation in industry, and upon the real identity of interest between employers and workpeople. The realisation of this by the wiser heads on both sides is, in its broader aspects, likely to operate entirely for the good. Distribution obviously follows production, and whatever the system of distribution, the share of employer and worker alike depends on what there is to distribute. The primary interest of each is therefore that the product shall be as large as possible ; and this makes ~~the~~ case strong for a policy not merely of industrial peace but of direct and active co-operation.

This is not to argue that interests are entirely identical. To do so would ignore other factors which, though secondary, are still important. Differences, which are dormant during the process of production, may spring to life when the time comes for distribution, and, indeed, it is often argued that "the interests of capital and labour are identical in production, but discordant in distribution." On this view more will be said later, and it will suffice here to indicate the possibility of an important source of divergence of interest. Again, both in production and distribution, there may be fundamental harmony and yet numerous questions may exist through which differences arise. A policy or method may be generally beneficial, and yet, as with the introduction of labour-saving machinery, may lead to individual hardship, or produce undesirable results in particular directions. There is a story that when a certain course was being recommended to a workman as being generally beneficial, though injurious in details, his reply was : "Yes ; but *we* are the details."

Such are the considerations which may form the obstacle to the fuller acceptance by the rank and file of the workmen of the harmony of interests in industry. It is often the small evil that the individual workman sees, the man unemployed through no fault of his own, or worn out before his time by over-work and so on. Such a man does not, and frequently cannot, observe the wide general good that underlies it all.

It may, therefore, be useful to indicate certain directions in which harmony of interest may not in fact exist. For it is by recognising these exceptions and providing against them that opposition and distrust can be overcome.

In the quotation set out above, the statement regarding production appears obviously true and one that everybody can accept. For employers and workmen alike are interested in securing the maximum product. Nevertheless, even in production, there are cases of real or apparent diversity. Take, for instance, the question of hours. The workman will feel that a higher output and consequent increased share in the product are too dearly purchased if they involve either excessive hours or undue strain caused by too great intensity of effort. In the extreme case, indeed, they may result in wearing out the man and destroying his capacity for work before his time. This divergence is often more apparent than real. A long view of the employer's interest would show that excessive hours or effort hinder rather than help production. But this fact, even now, is not always recognised by the less far seeing and, until it is recognised, the divergence of interest will continue.

Moreover, there is the wider question of the competing claims of labour and leisure. There has long been growing up among the workmen a conscious desire for more definite provision for leisure and for the opportunities that leisure brings. Or, to put it in another way, his conscious aim is to work in order to live, rather than to live in order to work. Yet here again the conflict of interests may be only apparent. The enjoyment of leisure will not be possible without the means sufficient to what the Greek philosophers called the "good life." And to secure such means the total product of labour must be adequate. On the other hand, the employers' interest may best be served by adequate opportunities for leisure, since these may in the long run increase output. Thus the problem of hours of labour is to secure the arrangement most favourable to production and at the same time harmonise the claims of labour and leisure.

Of equal importance are considerations which affect security of employment. The worker's interest lies in steady, continuous production. In particular, he fears temporary overproduction, due to a rush of business or to the fact that certain trades or processes get ahead of others upon which they are dependent. For the result is to create temporary but serious unemployment. Thus from the workmen's point

of view the best effects of increased production can be secured if such increase is as uniform as possible, so that the risk of over-production in any trade is reduced to a minimum.

A similar point arises in regard to policy during a trade depression. For here the usual arguments against restricted output do not fully apply, because the amount of work is temporarily limited. Hence, in order to minimise unemployment, a careful and well-thought-out policy of regulation is desirable. Much is already done by organised short-time; and, in particular, the working of overtime during depressions, except for special emergencies such as repairs or breakdowns, is to be avoided. For it means that, at a time when the supply of labour is ample, some men are taking more than their share of the work, more perhaps than they themselves would desire, and the number who cannot get work at all is correspondingly increased.

Such are only illustrations of the general position. But they do show that certain influences are at work, even in production, to create lack of harmony, which, though not fundamental, are sufficiently important to hinder that full concord in action which would seem to follow logically from the real identity of interests.

To turn to distribution, the statement quoted above has some superficial probability. For when sharing the product, each side will naturally attempt to secure as much as possible for itself. Nevertheless, though it is less obvious on the surface, and possibly less complete, there is harmony of interests in distribution. Each side needs in fact to secure contented and willing co-operation from the other. Swollen profits, alongside of low wages, will make discontented workers and react unfavourably on the efficiency of labour. Wages in excess of what the industry can pay will drive away capital or raise prices to the consumer, and so create unemployment. Thus it is to the interest of each party to allow the other its fair share in the product.

Nevertheless, the possibilities of discord are, on the whole, greater than in production. The long survival of the sweated industries, for instance, showed that employers could keep wages below a reasonable level, and yet to a certain extent prosper. Workpeople in a particular trade can similarly maintain high wages for a time, but only at the expense of the whole community.

A good deal of credence is given to the idea of the 'economic wage,' that there is a certain maximum which an industry can

afford and above which a rise will be injurious, directly or indirectly. Nevertheless, difficulties arise from the suspicions of the workmen that things are not as they are stated, that there are concealed profits or reserves, and that what the industry can actually pay, and what the employers say it can pay, are not the same thing. Such suspicions may or may not be justified, but, unquestionably, they exist and thus prevent harmonious action and co-operation. The remedy here appears to consist in greater publicity, and more readiness on both sides to put all their cards on the table in the process of negotiation.

Secondly, the 'economic wage' itself may not be rigidly fixed, but vary within certain limits. The rates necessary to give workmen a reasonable standard of living, and to give employers reasonable profits, may to some extent differ. In such cases there is a debatable margin, whether there shall be moderate wages and high profits or high wages and moderate profits. At present each side acts on the principle of putting forward its maximum claims in order to secure something with which to bargain. The way out would appear to lie in the readiness on both sides to negotiate quickly and willingly, to refrain from pressing excessive claims in negotiation and to accept a fair policy of give and take.

These illustrations of the ways in which the interests of employers and workpeople may clash are not put forward to depreciate the fundamental harmony that can and should exist between them. The aim is rather to assist in securing it, by pointing out the obstacles which hinder its attainment and by emphasising the importance of removing them. These obstacles are in the main matters of secondary interest, sometimes even of detail; but such matters have often wrecked the best laid plans. Moreover, whilst not fundamental, they are of quite sufficient importance to create serious difficulty, so long as they continue. Their removal is necessary if the influences making for harmony are to have fair play. Each side, therefore, should recognise their existence and be prepared to make a real effort to get rid of them, in order to give a fair field for full and active co-operation.





## FOOD FOR THOUGHT.

A BIG book is a big evil, says the old proverb : and many small books are no better. To be brief without bareness, to withhold detail in the mass and yet give the reader a sense of "body" in the conclusions is hard. Mr. George Barnes' survey of the present situation in *Industrial Conflict : The Way Out*\* has these merits. He orientates the novice, and wins at once the confidence of the expert. Both in this country and in the Dominions voluntary machinery for settling disputes has had a remarkable development. Voluntarism and state action are intertwined, the law and administrative bodies supplying deficiencies of the voluntary system, as in the Trade Boards Acts, or else—but less often—reinforcing the authority of the system, as in the Industrial Courts Act. But in spite of what industry has achieved for itself, and what the State has added, conflict and waste continue. Mr. Barnes' estimate of the country's loss through stoppages in the five years after the war is 200 million working days : a stupendous figure. The main cause of this mountain of waste is a "warped mentality born of ignorance and oppression." Mr. Barnes favours the fullest disclosure of essential business facts, as between employers and workpeople, and, characteristically, as a means to the representation of workpeople on directors' boards. The expansion of collective bargaining, he thinks, has been more rapid than the growth of a truly moral view of it as a discipline and not only a convenience. Machinery and opportunities for "open diplomacy" and "peace by discussion" are there, but their hold on the masses is weak. The hold might be stronger, if both went somewhat farther. The most telling part of the book is the discussion of the shortcomings of voluntarism and of such statutory methods as exist. Mr. Barnes shares an opinion often urged in these pages : that the best "use and wont" of industry should be made the basis of legislation. Thus rates fixed under the Trade Boards Acts are obligatory throughout the trade. Why should not agreements covering the majority of a trade be extended, under due safeguards, to the remainder? The German Ministry of Labour already exercises this power, to the advantage not only of labour but of the contracting or conforming employers. Legislation cannot prevent strikes if the persons concerned are determined to strike. A veto on fighting is impracticable, but a veto on hurrying

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\* *Industrial Conflict : The Way Out*, by the Rt. Hon. George N. Barnes. London : Pitman, 1924. 3/6 net.

prematurely into battle is feasible within limits. Strikes in certain essential services, for instance, are nakedly anti-social. The rights and wrongs, the relationships, the duties, the privileges of the modern system of organised work Mr. Barnes conceives as something comparatively new, which, amid many difficulties, has taken on normal shape and well-nigh standardised itself among the civilized nations. This new system has already strong support in habit and sentiment. Some of its elements have even been recognised in law. Others of them need this recognition. Mr. Barnes, then, conceives the State as moving towards statutory determination of the organisations, agencies, relationships and claims of the industrial system, and not in any spirit of repression or obstruction, but rather of fulfilment. This view, put so modestly by Mr. Barnes, has a whole philosophy behind it. Industry is like other spheres of human activity in requiring the support of the exact definitions of law. It is unlike most of them in being new, with its definitions incompletely formulated and not universally accepted. Time however, leads clearly along the lines indicated by Mr. Barnes.



The German origin of current socialism is of course well-known. But the progressive eclipse of socialism in the German working-class movement deserves the closest study. While our socialists talk Marxism-and-water, the German comrades are abandoning Marxism for Whitleyism, which they have made the basis of the new industrial legislation. They have begun, too, to pay attention to the British Co-operative movement. In an article in *Die Arbeit* [Work] for September last, Prof. R. Wilbrandt makes several interesting admissions. Germany, he says, is "the land of poetry and thought, but also of fighting and feuds, and Marx was a true German." The worst qualities of the Germans, therefore, were the making of Marxism. "In the countries where Marxism has taken hold, and especially in Germany, this diametrically opposed movement (co-operation) must try conclusions with Marxism." The beginnings of co-operation were half-a-century later in Germany than in Britain: and they appeared, significantly, in the friendly and democratic air of south west Germany. "Thus it is clear," says Prof. Wilbrandt, "that practical socialism has now taken root in Germany, which was impossible so long as Marxism flourished." That a German, and a professor, writing in a serious trade-union monthly, should admit that the Germans are an extremely quarrelsome people, and that their views and teaching

are infected with quarrelsomeness, is really helpful. "As mountain peaks rising from the plain our great men out-top the mass . . . but these great men embody these very racial qualities and dangers." Marxism therefore is not based on what is in general, but only on what is in Germany. And Germany, tiring of it now and somewhat ashamed of it, has her eyes on typically British things, such as Whitleyism and Co-operation.



In Britain we are always most successful when we work out our destiny in our own way. We may not be quick in the uptake, we may not be logical, and we may not be consistent, but somehow or other we "get there," as the saying goes, all the same. This is due, in the main, to the length of time during which we have lived under a system of government that, though never stagnating, has its roots in the distant past. We have no need to build afresh on a new site, because our foundations are solid and our structure intact. Alterations, it is true, are required to suit changing conditions, and these are carried out continually and with deliberation. In this we are helped by our insularity which enables us to watch the experiments of other countries with more detachment than would be possible if we were a continental power and subject to all the embarrassments of contiguity.



Labour policies which are of native growth are generally sensible and healthy, whilst those which are imported ready made from Europe seem, for the most part, to lack the merits aforesaid. Eliminate foreign influences from the programme of the Labour Party and what remains presents few, if any, differences that cannot be composed upon traditional lines without the generation of the kind of heat that leads to conflagrations. It has been remarked that when debates in the House of Commons take a violent turn the occasion is nearly always one which hinges upon some question involving a non-British point of view. Nor is this to be wondered at, because it is in the nature of things that neither party to the dispute is particularly well-informed on the subject-matter of the debate. The older parties are saturated with British sentiment, prejudice if you like, and the younger party is speaking, as it were, in a foreign idiom, the full significance of which it has not completely mastered. If the Labour Party wants to gain a lasting popularity in this country the best line it could adopt would be to rid itself of all its foreign entanglements.

## DAY BY DAY.

(A daily Record of the principal events which have a direct bearing upon the maintenance, or otherwise, of peace in industry).

**Dec.** The Ministry of Labour index figure for November showed the cost of living to be 81 per cent. above that of July, 1914. Recorded changes in rates of wages resulted in an aggregate increase of about £50,000 in the weekly full-time wages of 690,000 workpeople and a reduction of £3,500 in those of 60,000 people

Seventy two trade disputes in progress during November involved the idleness of about 15,000 people and the loss of 134,000 working days.

Employment improved very slightly, the percentage unemployed among trade unionists falling from 11.1 to 11 and among insured workpeople from 8.7 to 8.6. The Employment Exchanges registered 1,233,000 as unemployed at December 1st.

Railway dispute: The Railway Managers have considered the objections advanced by the A.S.L.E.F. against the increase of express engine drivers' daily mileage from 140 to 150 miles and state that they see nothing to justify any departure from the decision of the National Wages Board or the terms of settlement of the strike of last January. They are, however, willing to submit the question to the National Wages Board.

**2nd.** Railway dispute: The A.S.L.E.F. and the N.U.R. have agreed to refer the question of increased mileage to the Central Wages Board. *The Railway Review* recalls the fact that the strike of January 1924 was to secure the cancellation of findings of the National Wages Board and adds that when the strike settlement is compared with the Board's original findings it is seen that no tangible gain was made. The writer of the article emphasizes the value of the railways conciliation machinery and says it is "as good as anything that is in existence in the industrial world."

**4th.** *The Workers' Weekly*, in a special supplement devoted to a report of the Russian Trades Union Congress, announces that the delegation of British Trade Unionists in Russia have, as a result of negotiations with the All-Russia Central Council of Trade Unions, agreed in principle to the necessity of creating an All-Russia Central Council of Trade Unions. It is suggested that an Anglo-Russian Commission drawn from members of the two Councils is to be formed not later than January, 1925. In submitting the resolution authorising this Commission, Tomskey, the President of the All-Russian Council of Trade Unions, drew attention to the fact that these trade unions are

a basic part of the Red International of Labour Unions and the decisions of the latter are binding upon the former.

7th. The Boilermakers' Society has applied, on the grounds of the higher cost of living and the improved state of trade, for an advance of 10s. a week for all its members employed in shipyards. Unemployment amongst shipyard workers has hitherto been very great but there is at present a general expectation of an increase in shipbuilding orders and presumably the Society hopes to determine higher wages before contracts are signed.

10th. Coal mining industry: 'The Miners' Federation met to consider a letter addressed to them a fortnight ago by the Coal Owners' Association in which it is suggested that, "in view of the extremely serious condition of the coal industry at the present time, it would be useful if a small committee of representatives of the Miners' Federation and the Mining Association could be appointed to consider the position of the industry, the cause thereof and possible remedies"

The National Union of Railwaymen have presented their all grades programme for the improvement of wages and conditions in the industry. The demands are designed to improve the position of every worker in the service and are of a very substantial nature, involving an increase of many millions in the wages bill. The chief claims may be briefly summarised as follows:—

Pensions for all grades at the age of 60.

The principle of the guaranteed day and the guaranteed week to be extended to all grades.

Sixteen shillings a day for all drivers and motor-men; 12s 6d. a day for firemen and assistant motor-men.

A maximum working week of 44 hours for goods and cartage staff, permanent way men, and signal and telegraphic department staff.

Working hours to include meal times.

Grading of mechanics in railway workshops to be abolished and a flat rate of £4 a week paid to all craftsmen of five years' experience.

Semi-skilled men, assistant mates, and helpers to receive a basic rate of £3 10s. The unskilled to receive a basic rate of £3.

Minimum holidays for conciliation grades and shopmen of 12 days (instead of six) between May 1 and September 30.

In the clerical grades, men who have been standing at the maximum of their class for two years, if not promoted, to receive the minimum figure of the next higher class and proceed automatically to the maximum salary of that class after a further two years.

Railwaymen already stand in a relatively favourable position to workers in other industries and it is useful to compare the above with the following figures taken from tables compiled by

the Labour Research Department and submitted by the Miners' Federation to the Court of Enquiry held last April. The figures compare the 1914 and the 1924 wages and show the percentage increase in the railway and in the engineering industries.

### RAILWAYS.

—	1914.	1924.	Percentage Increase.	
LOCOMOTIVE				
GRADES :—	Per Day	Per week		
Drivers ...	5/- to 8/-	12/- to 15/-	140	to 87.5
Firemen ...	3/- to 5/6	9/5 to 12/-	213.6	to 118
Cleaners ...	1/2 to 3/4	7/5 to 10/-	534.8	to 200
OTHER MANUAL				
GRADES :—	Per week	Per week		
Goods guards	25/- to 35/-	50/- to 65/-	100	to 85.7
Passenger guards	21/- to 32/-	50/- to 65/-	138.1	to 103.1
Shunters ...	20/- to 33/-	50/- to 65/-	150	to 96.9
Goods Porters				
London ...	20/- to 24/-	51/-	145	to 120.8
Industrial ...	19/- to 23/-	50/-	152.6	to 126
Rural ...	15/- to 21/-	47/-	193.3	to 138
Passenger porters	16/- to 20/-	48/- to 50/-	200	to 150
Ticket collectors	18/- to 29/-	54/- to 58/-	200	to 100
Goods checkers				
London ...	24/- to 30/-	57/-	137.5	to 90
Industrial ...	21/- to 30/-	54/-	157.1	to 80
Rural ...	18/- to 26/-	52/-	188.8	to 100
Platelayers—				
London ...	24/- to 27/-	52/-	116.6	to 92.6
Industrial ...	20/- to 25/-	50/-	150	to 100
Rural ...	18/- to 21/-	48/-	166.6	to 128.5
Carters—				
London ...	20/- to 28/-	54/-	170	to 93
Industrial ...	20/- to 26/-	52/-	160	to 100
Rural ...	17/- to 24/-	50/-	194.1	to 108.3
Signalmen ...	25/4 (estimated)	48/- to 75/-	89.3	to 106

### ENGINEERING.

—	1914	1924	Percentage Increase.	
FITTERS & TURNERS				
London ...	43/-	60/11	48.6	
Swansea ...	40/-	67/6	68.7	
Tyne ...	37/-	56/-	51.3	
Glasgow ...	38/3	56/1½	46.8	
South Wales ...	38/-	65/-	71.0	
PATTERN MAKERS—				
London ...	48/9	65/5 to 70/-	34.2	to 44
Glasgow ...	40/6	61/10 to 63/9	52.6	to 57.4
Cardiff ...	42/-	65/5	55.7	
RAILWAY SHOPMEN				
Fitters & turners	30/- to 38/-	59/5 to 62/7	98	to 64.5

11th. Coal Mining Industry: The Miners' Federation have informed the owners that while not agreeing to the appointment of a joint committee, they are willing that their full Executive should meet the owners' committee and discuss their views. It is expected that the meeting will take place early in January.

- 15th. The International Federation of Trade Unions (the Amsterdam International), of which Mr. A. A. Purcell is president, have issued a statement to the effect that Mr. Purcell, who is also head of the trade union delegation now in Moscow, did not go to Russia as representative of the I.F.T.U., and that therefore he is only personally responsible for his utterances in or about Russia.
- 17th. The E.T.U. has tendered notice of a strike to begin on December 23rd at the Brompton and Kensington Power Station. The cause of the dispute is the company's refusal to dismiss two men who have fallen into arrears with their union dues. The men are members of the E.T.U., but have twice fallen out, and the Company refuses to be made an instrument of Trade Union discipline.
- Railway workers' wages: The Workers' Union have submitted claims on behalf of their members employed in railway shops and sheds. The demands include a minimum wage of £3 a week, promotion or additional pay at the end of three years service in any one grade, and an annual holiday of one week with pay.
- 21st. The delegation of the General Council of the Trades Union Congress, having returned from their tour in Russia, have published an interim report expressing their complete satisfaction with the social, moral and financial progress of that country.
- 22nd. The threatened strike of electricity supply workers has been averted by the agreement of the two men to pay a re entrance fee of £3 each to the E.T.U.
- Railway mileage claim: The National Wages Board have unanimously found that the circumstances now existing make it undesirable that any alteration should be made in the mileage payment, and they therefore recommend that the mileage remain at 140 miles per day.
- 29th. The General Council of the T.U.C. met to consider an invitation from the Minority Movement (the Communist organisation of this country) to send representatives to an international trade union unity conference next month. The General Council rejected the invitation and definitely vetoed the idea of joint action in the same cause with the Communists in this country. Its own delegates to Russia undertook, while in Moscow, to endeavour to establish a joint committee with the Russian Communists to work for international unity, and were present when this decision was made.

No. VI.

# **FEBRUARY**

MCMXXV



“Let us pursue justice with passion, not accept  
it because we must.”





# INDUSTRIAL PEACE

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# INDUSTRIAL PEACE

## INDUSTRIAL RISK AND CONTROL.

THE accredited representatives of more than one industry are feeling their way towards a more satisfactory method of organisation. The recent proposals in favour of profit-sharing suggest that ship-building employers are being influenced by the scheme operating in the mining industry. Coal miners, on the other hand, are evidently dissatisfied with the results of that scheme, and are seeking some method whereby they will be able to exercise more effective control of its operation. Both sides, in many industries, seem to agree that the nineteenth century relationship between labour and capital calls for modification, and that during the next few years efforts should be made to 'institutionalise' the most important of our industries, and to discover a suitable form of charter. The task will not prove easy. Prejudices will need to be uprooted, and new responsibilities accepted. For control is a responsibility as well as a right. It has always been, and always will be, identified with the assumption of risk, and the first step in advance is to define as exactly as is possible the nature of the risk which is undertaken by the controller.

It has often been said that the only events that are certain are death and taxation. Even if Society were static, life and industry would be exposed to many risks. Some of these, such as earthquakes and hurricanes, are due to natural causes; others, such as accidents, are due to ignorance. The remainder—the 'moral hazards,' such as bad debts—are the result of carelessness. But society is not static; it is always developing, and is therefore exposed to risks created by change.

The dynamic risks of industry may be conveniently divided into four groups. The first are those affecting industry as a whole. As we are still feeling the effects of the war, and have long been aware of the recurrence of booms and slumps which leave no industry unaffected, it is hardly necessary to elaborate statements regarding this group. World-wide influences affect different trades in varying degrees, but in so far as they affect some more deeply than others they may be considered under the second group, namely those risks which are or may be peculiar to an industry, though general within that industry. An industry may be seriously injured by foreign competition, by the discovery of substitute products (such as oil and electri-

city for coal), or by a change of fashion; or, as already hinted, it may be particularly susceptible (like shipbuilding) to the fluctuation of industry in general. The mining and agricultural industries are further exposed to risks due to geological and climatic causes.

The third group of risks consists of those facing the individual firm. A business firm not only shares those risks which have already been indicated but also faces other risks which are inherent in private enterprise. Some of these it reduces to a minimum by such means as 'covering contracts' and the purchase or sale of 'futures.' But essentially it takes the risk of enterprise, and, by its own efficiency as a competitive unit, endeavours to make that risk as small as possible for itself and as large as possible for its rivals. It is the great uninsurable risk of its life.

Practically all the risks to which reference has been made are shared by the workers. Some, indeed, bear more heavily on the latter, or a proportion of the latter, than they do upon the firm itself. Some owners of capital, by taking debentures or secured stocks, may and do transfer the risks to the shoulders of those who show their readiness to accept them by holding ordinary shares; but employed workers are not in that happy position. Although the workers' share in the losses of industry may be concentrated upon those who are thrown out of employment, the *risk* of unemployment is distributed over the whole body of workers. If there were no other factors to be considered the argument for joint control would be unanswerable.

But there remains a fourth group of risks, namely those connected with legal obligation. A firm enters into contracts which are enforceable at law, and, in the event of non-fulfilment, is liable to penalty. It will not, and cannot, enter into such contracts unless it is able to control the conditions necessary to fulfilment. So long as it is bound by a contract it is inevitable that it should exercise that control which makes it possible to carry out the terms of such contract. It is for this reason that the firm retains that function known as 'management.' The specific risk of contract is not shared by the workers, and until it is shared by them joint control, in the full and proper sense of the words, is impossible. The management may delegate, but it cannot surrender its power. It is generally assumed that profit-sharing and labour co-partnership represent steps in the direction of joint control, but such is not the case. Profit-sharing merely influences those risks which fall into the first three groups. If a standard rate

of wages is fixed and maintained irrespective of the state of trade, the worker's risk is simplified (though not reduced) and becomes the single risk of unemployment. The losses during depression are concentrated upon those who are thrown out of work. During a boom the chance of gain is the chance of overtime. If the standard rate is elastic, and reduced during depression, the risk of unemployment is also reduced, but there is added a risk of loss of wages even for those retained in work. The losses of bad times are spread over a wider area. The chance of gain during a boom is the chance both of higher wages and of overtime. There is no essential difference between the second case and that of profit sharing. The formal difference is that in the former the gains and losses are estimated in advance upon the basis of past experience, while in the latter they are determined by the ascertained results; in other words, a share in the profits, if any, is of the nature of a deferred advance in wages. The workers may share to a greater extent (as the result of profit sharing) in the risks to which they are in any case exposed, but they do not undertake any new type of risk. Nor is the case altered if co-partnership is added to profit sharing, for in that event the worker also becomes a capitalist, and the new risk, if any, is taken in the latter capacity. In practice, however, the worker's capital is invested in the form of a fixed-interest investment, and is therefore practically free from risk. If the worker's share were invested in Ordinary shares, and represented more than half the total of such shares, the workers would become the controllers of the business and the final directors of its policy. But they would be equally responsible, in law, for fulfilment of contracts made on their behalf.

Even the miners' scheme marks no advance in this direction. It may or may not be true that the miners are justified in their complaint that important information is withheld from their representatives—we are not competent to judge. But, assuming that additional information regarding costs is necessary in the interests of justice, the claim of the miners goes no further than a claim for additional information. It cannot be construed into a claim for power to control such costs, which is of the very essence of joint control. Viewed from any angle we choose we are forced to the conclusion that control is inseparable from legal responsibility. Until employed workers are prepared to assume those risks which fall into the fourth group it is inevitable that they should be denied a share

in the essential function of management, which is that of entering into contracts under the terms of the law of contract.

If this view be admitted the general direction of advance becomes clear. Some industries may incline a little to the right, others to the left. Delegation may be carried further in some places than in others. The precise direction and rate of progress will be determined partly by the features of the industry. From some points of view mining presents a less difficult case than shipbuilding. The conditions of mining are partly determined by nature; the product is simple; the problems are largely human. In shipbuilding the product may vary from a tug-boat to a passenger liner; questions of design are all important; craft unionism predominates among the workers, and effective co-operation may prove far more difficult than in mining. Iron and steel manufacture stands in an intermediate position. No two industries are exactly alike, nor will their problems be solved in precisely the same manner. But in one respect the solutions will be similar—they will all be finally shaped by the requirements of the law of contract.



## THE FACTS OF THE CASE IN DIAGRAM, No. LVIII.

So long as wage rates are determined on a basis which is illogical, inequitable and uneconomic, industry cannot prosper and discontent must continue. Although much attention has been given in the press and on the platform to the subject of the existing discrepancies between the wages in sheltered occupations and those in exposed trades, the full significance of the chaotic disorder which has befallen our wages-system has never really entered into the consciousness of the nation.

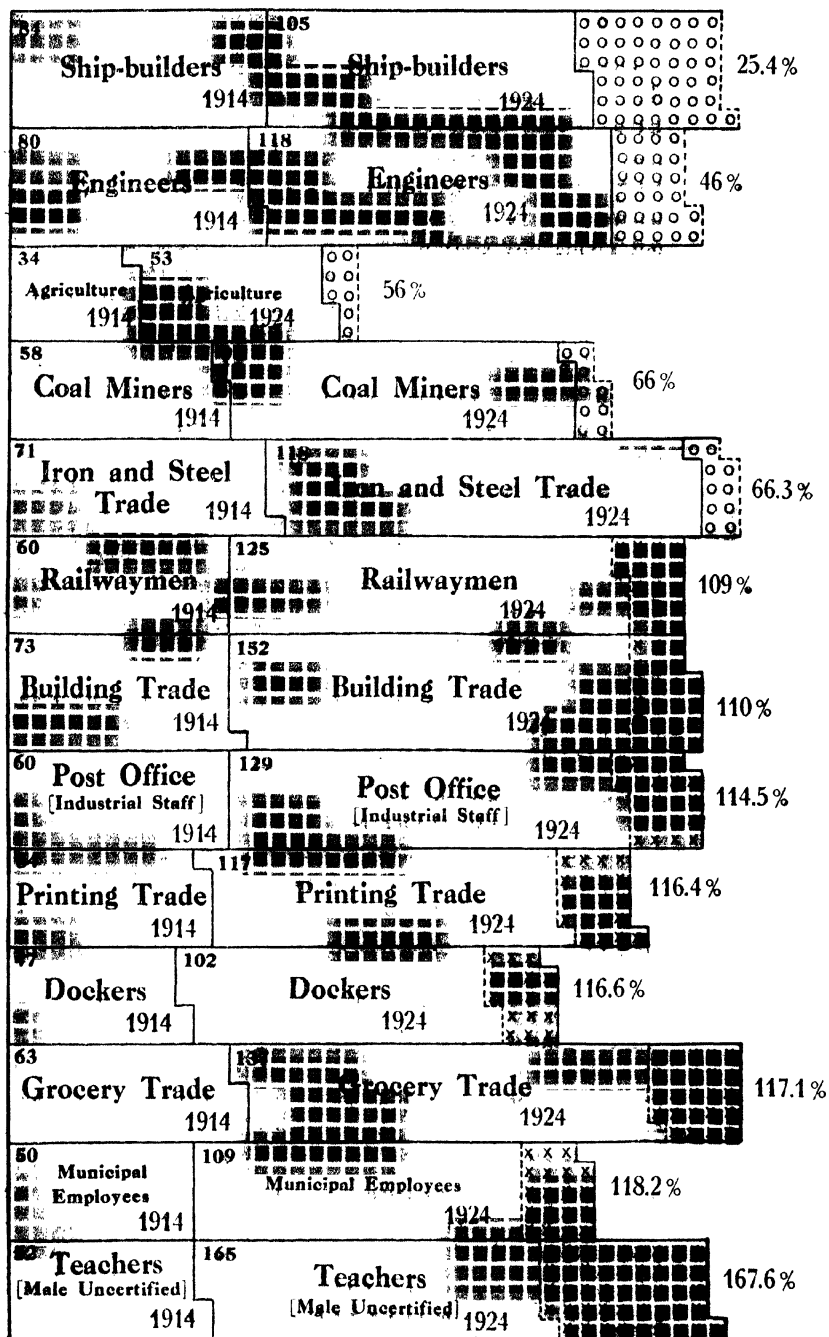
When railwaymen, whose *real* wages in January, 1924, were about 28 per cent. higher than in August, 1914, demand a further increase they do so without giving any consideration to the fact that if they gain their object they will thereby be creating additional difficulties for their fellow workers in the shipyards whose *real* wages have fallen during the same period by some 27 per cent. The divergence between railwaymen and coal miners is less pronounced and may be stated in another and simpler form, viz., that whereas the latter have lost on the average 4/- per week in real wages, the former have gained 8/6 per week in purchasing power. It is self-evident that every penny added to the cost of transporting a ton of coal must operate in the direction of reducing the only fund out of which miners' wages can be paid.

Nevertheless, if a stoppage of work on the railways took place tomorrow the strikers would have the whole-hearted sympathy of the miners and of workers generally throughout the land, and this in spite of the certainty that such an advent would cause widespread unemployment and still further increase the cost of living to the whole nation. The collapse of the Triple Alliance, though generally attributed by the militant wing of the rank and file to the weakness, if not the treachery, of their leaders was due in reality to the unadmitted and unappreciated fact that the fundamental interests of the transport workers were a long way from being identical with those of the miners.

No phase of human psychology is stranger than that which permits great bodies of men to believe honestly, and even passionately, in the doctrine of "each for all and all for each" whilst they act, with a perfectly clear conscience, on the contrary principal of "for ourselves alone."

## DIAGRAM No. 96.

(Note.—The smaller figures in this diagram indicate the number of squares in each group.)



### RISE AND FALL OF REAL WAGES.

A comparison between 1914 and 1924.

Gains in Real Wages coloured Purple.      Losses in Real Wages coloured Green.

Scale: Each square of colour represents sixpence per week.



One of the chief ostensible aims of Socialism is to break down the barriers between the rich and the poor but, as we have already observed in these pages, organised socialism makes no attempt to rectify wage discrepancies, on the contrary it helps to accentuate them by countenancing every demand for higher wages, from whatever quarter arising, without giving any consideration to the inevitable consequences that injure non-participating groups. Socialists claim to protect the weak against the strong but when they support the better-paid sections of workers to the detriment of the less fortunate they are acting in direct opposition to their professed creed.

How can the present state of affairs be remedied? So far as we can see a solution of the problem can be found only after a change of heart and mind has taken place in the normal outlook of both employers and employed. Labour politicians and Trade Union Leaders must adopt a new mental orientation and learn to subordinate sectionalism to the common benefit, and employers must convince the workmen that they *want* to share the industrial product equitably, not that they will if they must. To raise wages in the unsheltered industries should be the aim of the employers, to discourage demands from sheltered occupations should be the rôle of Trade Union leaders. Nothing more sensible or more profitable than a never-ending dog-fight will eventuate so long as two parties are marshalled in chronic opposition to each other, for neither will relax their hold on the bone of contention unless the other shews signs of giving way voluntarily.

Those of us who are neither Trade Unionists nor Employers can help by determining to lose no opportunity of learning the facts of the case for ourselves and of spreading such knowledge as we may be able to acquire amongst the general public.

Diagram No. 96 exhibits the comparative levels of average wages in thirteen typical occupations, as ascertained for 1914 and 1924 respectively, with particular reference to the difference in the cost of living at those two periods. It is assumed for our present purpose that the cost of living at the outbreak of war was coincident with the average wage paid in each group selected for comparison. The assumption may not be correct in every case but this does not matter because whatever was true in this respect of 1914 was equally so of 1924. The blocks of squares on the left of the diagram (coloured red) represent the average wage for each group of workers shewn, plotted at the scale of sixpence per week per square. Fractions of sixpence have been calculated to the nearest square—thus

fourpence and eightpence would both be reckoned as sixpence. The average wage for 1924 in the same occupations is represented by the block of squares bounded on the right by a continuous line. In the case of occupations in which the increased wage falls short of the increase in the cost of living the deficiency is indicated by a block of green squares (containing noughts) bounded on the right by a dotted line. In the case of occupations in which the wage-increase is in excess of the rise in the cost of living the surplus is indicated by a block of purple squares (containing crosses). By counting the number of green squares and dividing by 2 a result is obtained which gives the loss of real wages in each selected group stated in shillings per week. Similarly the number of purple squares, divided by two, gives the gain in real wages for each particular group, also in shillings per week.

It will be seen that, without exception, the sheltered callings, namely those which cater more or less exclusively for domestic as opposed to international needs, are paying real wages that are higher than the equivalent of the levels ruling in 1914, whilst those occupations which have to meet competition from abroad are unable to maintain a level of wages high enough to nullify the decreased purchasing power of money.

The fate of the depressed industries is even worse than is shown by the diagram, for in addition to loss of wages workers in unsheltered trades are suffering from unemployment to a far greater extent than those employed in domestic occupations. The whole position is, as we said in our opening paragraph, illogical, inequitable and uneconomic. It cries out for immediate and drastic rectification.

## INDUSTRY AND THE GOLD QUESTION.

DURING the last few weeks a number of banks and finance houses have held their annual meetings, and almost without exception the chairmen, in their addresses to the shareholders, devoted most of their attention to the prospect of an early return to the gold standard. The subject has come to the front as the result of the improvement which has taken place during recent months in the value of sterling. Whether or not the restoration of gold is immediately practicable must depend upon the relative importance of the factors which have influenced the American Exchange. Nor do we propose to submit many of them to examination in this article. Assuming its practicability, however, most of us would admit the wisdom of a return to the gold standard. Its effect upon international trade should be profound and beneficial. One of the serious trade risks of the last few years has been that of a marked change in the value of sterling between the date of entering upon a contract and the date of settlement. Further, rapid changes in the value of a paper currency tend to produce a moral effect: the sense of moral obligation in respect of contracts is weakened, and the tendency to cancel contracts which have become irksome tends to increase. When foreign buyers acquire the habit of cancelling contracts with our manufacturers the latter fight shy, and trade languishes. That stability of currency which is provided by the widespread adoption of gold has a bracing effect upon commercial morality, and in this way encourages private enterprise, and stimulates trade between nations. If we return to gold we shall not reap full advantage until our example is followed by those European States which continue to rely exclusively upon paper. Apart from its direct beneficial results, a return to gold in other countries as well as our own would be a sign that more settled conditions had already returned, and an indication that those countries were already prepared for trade development. For this reason it would give an indirect stimulus to enterprise.

We have said sufficient to indicate that we are not blind to the advantages of the gold standard. We do not share the view of those who hold that gold is for barbarians, and that henceforth we would be well advised to seek stability through

public control of a paper currency. We do not believe that, in the long run, a 'managed currency' would secure the same degree of stability and enjoy the same measure of confidence as a credit system based upon gold. On the contrary we believe that the advantages of the gold standard are so pronounced that it would be wise to incur some risk in taking the final step towards it and to rely upon contingent assistance from America to maintain it.

In the long run we believe that the gold standard would promote industrial peace. It cannot be said that the era of paper has been an era of peace and goodwill in industry. We do not suggest that strikes, lock-outs and general unrest have been due solely to the paper currency. Far from it: there were serious national strikes before the war, and even in industries which, to the outsider, appeared to be peaceful there was evidence of considerable unrest. But we venture to suggest that the paper currency has been an important contributory factor in the industrial troubles of recent years, and that for two reasons which are closely inter-related. The first is that instability of currency was one of the causes of bad trade. The second is that repeated changes in the price level necessitated repeated adjustments in wages, and the latter, in turn, reacted upon the price level. Repeated advances in paper wages down to 1920 merely added to the volume of paper currency and credit in circulation and in this way intensified the rise in prices and aggravated the feeling of unrest which the advances were expected to allay. The repeated reductions in wages since 1920 have but accelerated and intensified the fall in prices and intensified the depression of trade. Stability of prices and wages is an essential preliminary to industrial peace. When we settle down once more under the gold system we shall be more likely to achieve co-operation between employers and workpeople than we are under present conditions.

But the period of transition may be more difficult in and for industry than any previous period in history. There may be an appreciable difference between wages paid in paper and wages paid in gold. The gold standard means a restricted and inelastic volume of currency and credit, and this will inevitably limit both prices and wages. The Germans were able to pay, in 1923, one thousand million paper marks per hour to some classes of workers, but obviously the latter could not have been paid the same number of gold marks. By similarly inflating our paper currency we could pay as many

pounds as we now pay shillings per week to our workers. But it would benefit nobody. The value of our currency would fall proportionately, both at home and abroad. We could not have doubled wages all round in 1914 while retaining the gold standard. The volume of currency and credit was insufficient for the purpose.

The Railwaymen are now seeking considerable advances in wages. It is admitted that the wages of miners, shipyard workers, iron and steel workers, and engineers are unduly low relatively to those paid to workers employed in sheltered industries. Let us suppose, then, that the demands of the railwaymen are conceded, and that, by appropriate advances, the admitted anomalies in wages throughout industry are removed. The inevitable result will be a substantial rise in the price level, and the question naturally arises whether such a level of wages and prices can be maintained on the gold standard.

It is possible that the reply will be in the affirmative. We do not pretend to know, nor do we believe that anyone else is in a position to dogmatise on the subject. Gold is at present cheap, and much of the American supply is redundant. Moreover, while restoring freedom of export to gold we may continue to prefer paper for internal circulation. So long, therefore, as other countries continue to work on a paper standard the value of gold may remain low. But if France and other countries follow our lead, we shall witness a steady growth in the world demand for gold and a rise in its value, that is, a fall in the price level. The gold of America and this country will need to be distributed more widely and evenly, and we shall return more closely to pre-war conditions. Will the trade unions, in that case, be prepared to allow wages to be adjusted to the new conditions? The success of the gold standard, the stability of trade in this country, and the future relations of capital and labour depend largely upon the answer to that question.

## WHAT THE WORKMAN WANTS.

PREVIOUS articles in *Industrial Peace* have attempted to suggest means of overcoming some of the difficulties to its attainment. But the successful progress of the cause will require more than this. It is not sufficient merely to remove obstacles, necessary and valuable as this is. If employers and workmen generally are to be brought to accept whole-heartedly the ideal of peaceful co-operation, there must be real willingness on each side to understand, and, as far as possible, to meet the claims of the other. Each side has certain definite objects of its own, which will not be attained by the mere prevention of disputes and patching up of grievances, but depend rather upon securing for both sides the best that industry can afford, on the principle of "Each for All and All for Each."

It is useful to consider from this point of view the main objects of the workman, as they present themselves to the rank and file. For this will help to make clear the lines which progress must follow. The workmen's aims may be practicable or impracticable, immediately attainable, or only to be reached by gradual steps; but the first essential is to know and understand clearly what they are. Indeed, progress may have been hindered hitherto, because what has been offered to the workmen is not what they themselves want. The advocates of Profit-Sharing and Co-Partnership, for instance, do not always make sufficient allowance for the fact that their proposals do not, rightly or wrongly, appeal to many of the men. Similarly, the evils of strikes and lock-outs are sufficiently clear to the average Trade Unionist; but schemes for preventing them are apt to ignore his conviction that the right to strike is essential to his security, and his consequent jealousy of anything that restricts it. But a true understanding of his needs and desires will allow the aims of the workmen to be properly appreciated; and they in their turn will come to realise that there is a genuine desire to see their point of view. This will do much to counteract the unrest that is caused by ignorant and biassed critics, from whom at present socialism receives so much impetus.

Enquiry into the workman's real aims will make a wrong start if the existence of a general desire for the socialist state is assumed. Socialist opinions are frequently put forward as a means to other ends, as an expression of resentment at the

evils and uncertainties of his position, or as a defence against extreme views on the other side. The Anti-Waste campaign, for instance, in its cruder forms, suggested to the workmen that its advocates were out to economise blindly at their expense and to sacrifice recklessly wages and social amelioration alike. Such a campaign indeed, was never countenanced by the better employers ; but it has certainly helped to spread socialistic demands as a counterpoise. Similarly the prevailing unemployment and uncertainty have favoured the teaching of the extremists. It is true, indeed, that many of the keenest and most active of the workmen are strongly animated by socialist aims. But the large amount of working class support given to the Conservatives at the recent General Election, and the success then obtained by many of the more moderate Labour leaders, strengthens the view that much contemporary socialism is either a revolt against existing conditions, or a weapon to secure more moderate and practicable reforms.

In short what many workmen really desire is not socialism, but an adequate and secure living and some opportunity for the "good life." In 1906 the opinion was expressed to the writer that the London workman "is not a socialist : what he wants is a good time for the working-man." And, probably, in spite of the real growth of conscious socialism, it is still true of at least a very large section of the workmen, not in London only, but generally, that they are at bottom seeking rather "a place in the sun," and using socialism as a means thereto. At the same time, their ideas have broadened with the years and are less limited than in the past to "bread and butter" aims, and whilst wages and hours must always occupy a leading place, other considerations are growing in importance based upon the desire for a larger and broader life.

The Standard of Living must necessarily be the first basis of all their aims ; and this in turn will depend upon adequate wages. For, without them, a fuller realisation of other needs will be difficult, if not impossible. This will not necessarily prevent the recognition that an adequate wage must be based on adequate output. In uncertain times or irregular trades, it is true, men may strike blindly for the highest possible wage as the one definite and tangible thing in a changing world. Prices and employment may fluctuate continually, but a rise in wages seems a certainty, and, because all else is so uncertain, men are apt to grasp at this, sometimes even beyond reason, as recent strikes have shown. So, too, in the past the casual docker has thought only of increased wages, and over-

looked the fact that the first essential is decasualisation, which his wage claims have often hindered rather than helped. Thus the wage movement, on the one hand, marks a desire for a real standard of comfort, for a national minimum that shall make life not merely possible but good. The clear recognition of this aim on the part of other classes and its acceptances in principle are the necessary preliminaries to industrial co-operation and will enable both sides to approach practically the question of ways and means.

Other forms taken by the wage movement appear, at first, to negative the idea that workmen are recognising more and more clearly that security is an element in progress. Nevertheless, they are undoubtedly growing more alive to the need, and among their aims it now occupies an essential, if not the essential place. The present policy of the dockers' leaders, for instance, shows real grasp of the relation between security and wages. The fear of unemployment constantly haunts the workman, and indeed often drives him to restriction of output, as well as to put forward wage demands without consideration of costs. But at bottom the advantage of a secure life, even at a lower wage, if this is regular, has long been realised. The workman needs security of wage and work, and feeling that the present system fails to give it to him, resorts in self-defence to harmful restrictions or impossible demands. Underneath all his policy there lies the desire for security. Probably he would make concessions as to wages and other matters, in return for a guarantee of security. What he will not do willingly is make any sacrifice without that.

Alongside of these things, comes the demand for a wider share in workshop control. A man's work, if he is worth his salt, constitutes a large part of his life. Workshop conditions, therefore, for good or evil, will greatly affect it. At present, however, they are largely beyond his control; and he demands a greater say in the matter. Detailed arrangements may make all the difference to his comfort or discomfort, as may be seen by contrasting a good with a bad firm. Moreover, the workmen feel that they can contribute towards ameliorating their own conditions, improving the technical efficiency of the work, and even towards obtaining greater security. Thus the demand for a share in control grows. The employer's reply is either a claim to control his own business, or the contention that to share responsibility for the commercial and mercantile side of it is impracticable. But the claim is also one to control the lives of other men; and herein the workmen seem



justified in demanding a share. This is the real basis of their demand. No doubt more extreme demands are sometimes made; but these would probably not be persisted in, if there were willingness to concede the more reasonable ones; nor, if the men's just claims are met, need undue interference in commercial matters be feared.

Finally, education, the war and other influences have created a growing desire for increased leisure. Much of this may be no more than the wish to utilise increased opportunities for enjoyment. But in large part, it is the result of a genuine and conscious desire for self-improvement, and to take a fuller share in discharging the duties of the citizen. This desire is necessarily greatest in the ablest and the most thoughtful, who are likely to wield a far greater influence than their numbers would give them. And the demand for leisure is backed by much evidence that production and output are most favoured, not by the longest hours possible, but by the right adjustment of labour and leisure.

It is not suggested that the above considerations exhaust the claims of the thoughtful workmen. But the four things, Wages adequate to a Decent Life, Security, Control, and Leisure, constitute a definite programme; and it will depend on circumstances whether this shall become the handmaid of Socialism or the strongest bulwark of successful private enterprise. For, if the possibility of fruitful co-operation under private enterprise is to make a wide and general appeal to workpeople of all types, ideas such as these must form its groundwork. For they represent moderate and practicable claims, which form at least a basis for discussion. Those who advocate the maintenance of the main principles governing the present system must therefore recognise the existence of such ideals and be prepared to discuss them thoroughly. Nor need it be feared in this case that the workmen will be unwilling to submit to practical considerations and to accept evidence that parts of their claim are not workable. So will practical reform be substituted for impractical idealism, and the way be paved for full industrial co-operation.

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**NOTE.**—This article will be followed by a further contribution next month dealing with the other side of the question, *viz.*, what the employer can expect and what the workman must be prepared to give.

## SMALL MONEY.

### Developments in America.

RECENT developments in the United States afford new proof, if such were needed, of the falsity of the Marxist catchword that Capitalism makes the rich richer and the poor poorer. The statistics of holdings in public companies show a rapid diffusion of capitalism among the less well-to-do and the wage-earners. Some measure of the tendency towards wider distribution is given in the following broad summary :

**TABLE I.**

	Total Capital Stock of all U.S. Corporations.	Estimated number of Stockholders in U.S.A.	Average number of 100 dollar shares per Stockholder.
1900	61.8 thousand million dollars	4.4 millions	140.1
1910	64.0   "   "   "	7.4   "	86.3
1913	65.0   "   "   "	7.5   "	87.0
1917	66.5   "   "   "	8.6   "	77.3
1920	69.2   "   "   "	12.0   "	57.3
1923	71.4   "   "   "	14.4   "	49.7

In 66 companies engaged in representative lines of production, trade and service the number of shareholders has increased from 336,666 to 1,786,214 between 1900 and 1923, the last year for which figures are available. The liveliness of the advance is illustrated in the following table which shows the details for ten leading Companies :

	1900.	1910.	1920.	1923.
	(Number of stockholders).			
<b>TABLE II.</b>				
American Smelting and Refining	3,398	9,464	15,237	18,583
American Sugar Refining	10,816	19,551	22,311	26,781
American Telephone and Telegraph	7,535	40,381	139,448	281,149
General Electric	2,900	9,486	17,338	36,008
National Biscuit	7,000	7,769	10,189	14,422
Pensylvania R.R.	51,543	65,283	133,068	144,228
Standard Oil of N.J.	3,832	5,847	8,074	81,070
Swift & Co.	3,400	18,000	35,000	46,000
U.S. Rubber	3,000	3,500	20,866	34,024
U.S. Steel	54,016	94,934	176,310	179,090
Totals	147,440	274,215	577,841	861,355

As a general rule the largest companies show the largest increases in the numbers of their stockholders, while smaller companies, their stocks being more closely held, show less

diffusion. The same significant shift of ownership is shown by the statistics of taxation. In 1916 the group of Tax-payers with incomes above 20,000 dollars a year received 79.3 per cent. of the total dividends reported. In 1921 they received only 46.8 per cent. of the total. When the figures for the poorer section of those under the income limit of 20,000 dollars are examined the result is even more noteworthy.

TABLE III.	Income Group 1000—5000 dols. a year.		Percentage of total.
	Amount received.		
1917	190 million dollars		9.5
1918	335	” ”	14.1
1919	326	” ”	13.3
1920	372	” ”	13.6
1921	562	” ”	22.7
1922	491	” ”	18.4

Many companies encourage their employees to invest in their stocks. Twenty-one thousand of the employees of Swift and Co., *i.e.* more than a third of the total number, hold Swift shares, the par value of which exceeds 21 million dols. The American Telephone and Telegraph Company has 95,000 of its employees on its shareholders lists. Seventy per cent. of the workers employed by the International Harvester Company hold over 5 million dollars worth of the Company's common stock. The United States Steel Corporation was a pioneer in enlisting the workers as shareholders. The following table shows from year to year the new shares taken up by employees.

TABLE IV.	Offering Price.	Employees subscribing.	Shares taken.
1916	85 dol.	24,631	49,538
1917	107 "	38,326	66,519
1918	92 "	41,991	93,485
1919	92 "	59,792	155,098
1920	106 "	63,324	161,178
1921	81 "	74,008	237,872
1922	84 "	34,008	93,644
1923	107 "	41,968	100,734

The Wall Street Journal states that the employees of the Corporation at the end of 1923 owned nearly 700,000 shares of common and over 150,000 shares of preferred, the market value of which is over 100 million dollars. On this basis the employees owned nearly 14 per cent. of the outstanding common stock.

The savings banks statistics tell the same story of working-class prosperity.

<b>TABLE V.</b>	Number of depositors in millions.	Total savings in thousands of millions of dollars.
1912	12.6	8.4
1914	11.4	8.7
1916	10.3	9.4
1918	10.6	11.5
1919	18.2	12.4
1920	20.9	14.6
1921	26.5	16.6
1922	30.3	17.3
1923	35.4	19.5
1924	38.8	20.8

While the various tables which are given above show almost unbroken advance, the later periods show the most sensational figures. In Table I. stockholders increased from 4.4 millions in 1900 to 7.4 millions in 1910, *i.e.*, at an average rate of 7 per cent. each year. Between 1917 and 1923 the rate averaged about 10 per cent. That the wage-earning classes were able to invest on the scale shown by the above tables is due to several causes, such as increased wages, and the stimulus given to saving by government propaganda in favour of War Bonds. Nor must the effects of prohibition and comparative freedom from expensive strikes be omitted from the balance sheet. From 1920 onwards, moreover, the Labour Banks to which we have drawn our readers' attention in *Industrial Peace* [*The New Industrial Revolution*, Nov., 1924, and *The Rise of Labour Banks in America*, April, 1924] have exerted a growing influence in favour of saving and by taking up the business of issuing and distributing stocks have given savings an outlet. The Brotherhood of Locomotive Engineers Investment Company of Cleveland, with its offices in New York and on the Pacific Coast, has distributed more than 100 million dollars of securities among working-class investors in the last year or two. While working-class money is flowing into these new channels it is not deserting its old outlets, *e.g.* the Savings Banks, as is clear from Table V. Life insurance, too, holds its own. In 1912 the total insurance in force was 15.5 thousand million dollars. Ten years later the total rose to 50.3. The year 1923 produced the record total for one year of 11.7 thousand million dollars, and the year 1924 is expected to maintain or exceed this figure. Two-thirds of the holders of life insurance policies are wage-earners.

We have often maintained in these pages that not only a reconciliation of persons but a combination of functions is needed in industry. The worker has to be turned into a capitalist. That is what is happening quickly in America, and what we should like to see happen in Britain.

## SHARING THE CAKE.

SOME little while ago a lecturer was addressing an audience, mostly composed of working men, on the subject of inequalities in the distribution of wealth, and in order to illustrate the problem took as a very simple example the division of a cake into slices amongst a certain number of eager participants. He was explaining that the two governing factors were:—(1) The size of the cake; (2) The principle of division which determined the size of the portion allotted to each sharer, when he was interrupted by a member of the audience, calling out from the back of the hall:—"That is all very well, Mr. Lecturer, but the employer has the knife"; meaning that the size of the slices, or from the economic point of view, the size of each individual's income was arbitrarily determined by the employer, who could easily make the share of the employees larger if he were only willing to do so. The problem of distribution is necessarily too complex to be understood by all in its entirety, but we can clear away dangerous misunderstandings as to what there is to distribute and the real extent of the shares enjoyed by the various participants.

To begin with the cake itself, which is in fact the sum total of all the economic efforts of the whole community. This "National Dividend" as it is called should also be regarded as the sum total of all incomes and it is very usual to say that the average income of each individual member of the community can be arrived at by dividing the national dividend by the population of the country. Thus if the national dividend, that is the total amount to be divided, were 3,000 millions and the population were 48 millions, the average income per head would work out rather more than £60 a year. But such a method of calculation leads to many misconceptions. A man with, shall we say, a wife and five children might claim that his share was something approaching £450, while as a matter of fact he was only earning £4 a week, and thus be led to think that he had less than his share and that somebody else had more. But what about a man who is not married at all, or another who, shall we say, has a wife and one child? In these two cases if they were each earning £4 per week, the one would be getting rather more than three times his share and the other a fraction under it.

A second consideration is that it is difficult to get away from the fact that the services rendered by these income receivers differ enormously in quality and quantity as well as in social estimation. If then we are not prepared to accept the commu-

nistic methods of "share and share alike" or "each according to his needs," we should have to take our stand on the ground which is common to individualist and socialist alike, that each man's income should be in proportion to his contribution to the national dividend, or, in other words, in proportion to the service he renders.

A third consideration is that quite a considerable portion of the national income is not available for distribution at all. The amount required to meet Government expenditure, both central and local, and the amount required for the upkeep of charitable institutions, for the relief of destitution and for the support of those who for any reason are not contributing anything in the way of economic effort, must be deducted before any calculation can be made as to how much each contributor can receive by way of income which he or she can devote to the satisfaction of the daily needs. But there is yet another deduction which has to be made and which very frequently is left out altogether, and that is the amount of new capital annually required if economic life is to maintain its present level, to say nothing of what would be necessary if provision were to be made for economic advance and improvement. When these three things are taken into consideration:— (1) national and municipal expenditure, (2) provision for charitable institutions and for those who are being supported by the rest of the community, (3) maintenance and extension of capital, it is evident that what is left for distribution is very much less than the three thousand millions suggested above as the total income of the community.

Returning to our first point, namely, the total amount of economic effort during the period of say one year, and looking upon it not so much as a certain sum in pounds sterling, but as a volume of services, some embodied in material form and some immaterial, as in the case of personal services, it is evident that the gross amount will be diminished by slack work, by idleness, by inefficiency, by restriction of output, by unemployment, by physical or intellectual incapacity, and that consequently when such conditions prevail there is bound to be, generally speaking, a reduction in the standard of living or standard of comfort all round. This would be more evident if one were to simplify the problem by assuming that all economic effort is devoted to the production of food. The less each individual contributes and the more numerous the members of the community taking no part in the production, the less will be the total amount of food produced. Two men it is

true might be employed in producing the same amount of food as either one of them could have produced alone and they might each draw from the common stock a full day's ration, but the total amount produced would not have been augmented and if they, between them, have been able to take out more than they would otherwise have done they have taken it at the expense of other members of the community.

How would this problem be affected if a socialistic system were introduced and the State were to take over the control of industry? Two things would almost inevitably follow:—

(1) The gross product would tend to grow less and less, for the removal of that all-powerful incentive to economic effort, which may roughly be described as personal advantage, would undoubtedly lead to an all-round slackness of effort, and disinclination to enterprise and to a general tendency to avoid all unnecessary exertion and strain. There may be some social advantages in eliminating competition, but the economic disadvantages would be very great. A man running alone on a racing track may appear to be putting out his utmost effort, but if he is running a race with competitors or if he is attempting to beat a record, there is an additional stimulus which will call forth some reserve of power which would under other circumstances have remained dormant.

(2) The net product would tend to diminish to an even greater extent, for in the socialistic state not only would the gross amount be less, but the amount to be deducted from it would be considerably greater. Under the heading of Government expenditure, for instance, there is little doubt that there would be a large increase to meet the charges of the number of new departments that would have to be set up, each requiring a large and well-qualified staff. This would mean the withdrawal of many persons from productive effort, thus reducing appreciably the total amount produced and at the same time adding to the portion of it which the Government would have to requisition in the form of rates and taxes in order to support its increased number of State employees.

If the net income of the whole community is thus diminished what is to happen to the individual sharers of it? To fix a legal minimum wage at a comparatively high figure would be a perfectly simple thing to do, but money wages and real wages are very different things, and it would soon be found that it is to an increased output of commodities and services that we must look for increased means of satisfying human wants, and of raising the general standard of living.

## FOOD FOR THOUGHT.

AN interesting book on Lenin has just been issued from the offices of the French Socialist newspaper *L'Humanité*—“*Le Portrait authentique de Vladimir Ilitch Lénine*,” by Henri Guilbeaux. Here, at last, is a “student’s book” on Russian affairs: not a full dress history, but fairly objective first-hand materials for such a work. The portrait of Lenin shows Mons. Guilbeaux as an awed admirer, as devoted to his hero but afraid of him. There was much that was truly formidable in Lenin: his amazing physical health, his merciless alertness, his intensity of will, his incessant laugh, the shattering power of his gay and cruel humour, his searching “tutorial” methods with friends and foes, his damning intolerance, his finality. Mons. Guilbeaux writes suggestively about Lenin’s earlier years. Like his elder brother Alexander, who was hanged while a student for complicity in an attempt on the life of Czar Alexander III in 1887, Lenin belonged at first to the Narodnik party, which hoped to overthrow Czarism by the force of the peasants. Lenin, however, soon abandoned the idea of working through the peasants. While he was still a student at Kazan University he had made up his mind that the urban proletariat was the more promising instrument for the overthrow of the Czardom, and he had also come to regard the bourgeoisie, because it supported the Czardom in a measure, as equally the enemy of revolution and the new Russia which he wished to build up. The writings of Marx, therefore, answered exactly to the trend of his practical purposes and his needs in respect of theory and propaganda. In 1894 he founded the first Marxist group at Petrograd amid the scepticism and ridicule of the “intellectuals” of the revolutionary movement. He also organised at Petrograd an “Association for the Liberation of the Working-class,” a body which organised a strike of 40,000 textile workers in consequence of which Lenin was sent to Siberia. The common view makes Lenin a theorist and a pedant first, and a politician afterwards. But Mons. Guilbeaux shows how Lenin as a young man was led by practical considerations towards the policy for which he afterwards found systematic justification in Marxist theory. That is not to say that Lenin’s analysis of the Russian situation in his Kazan days was right, or that, even if it was right in an abstract way, the subjugation and



extirpation of the bourgeoisie was a right or a necessary means towards better things. Marxist theory went to Lenin's head. But many Marxists are without Lenin's excuse—or Lenin's head; the British Communist party, for example, confuse the situation in Britain now with the situation in Russia when Lenin was a vehement university revolutionary. Marxism was a natural form, perhaps, for the views of a young Lenin. It is no form at all for the youth of Britain to-day.

Mons. Guilbeaux's description of Lenin's relations with other prominent Russian revolutionaries in exile and even after the return to Russia in 1917 illustrates the difficulty of maintaining any sort of unity among personalities so intense, so aggressive, and so vehement. The task was too much for Lenin himself during his Swiss period: though his quarrels with other leading exiles were balanced by his keeping on far closer terms with the movement in Russia. His return to Petrograd early in 1917 enabled him, through the strength of his support in the masses, to impose his leadership on the leaders. Whether his successors can accomplish by sheer party discipline what he achieved by personal power is an interesting question. Trotsky, the former Menshevik, has now been cast out for good, amid some signs of popular sympathy, though not of support in the inner circle. Lenin worked by forced inclusion of all shades of leaders. Kameneff and Zinovieff appear to be incapable of this, and therefore less likely to last. The Russian position is perhaps analogous in some respects to what happened in the Italian Socialist party when the war broke out. We quote the following from Bononi's *From Socialism to Fascism* (p. 14 segg.): "On the eve of Italy's entry into the war Italian Socialism was already a grey mass, . . . an organism living on traditions and formulae. . . . Turati, had he been free, could have used his influence in favour of realist views. But each time the man of talent and culture in him stirred up doubts and put disturbing problems, the party man, recalled to a strict and stupid discipline by the small men in charge, hastened to mortify himself and to obey. Sometimes intelligence was stronger in him than discipline, and gave off flashes of light that might have spread, but the exertions of the party managers in extinguishing and deriding them made these revolts fruitless." A sound sense of the real and the possible, and freedom to obey it, make a better basis for politics than a relentless party discipline. The latter helped greatly to ruin Italian Socialism: it may be a fore-warning of the crumbling of the Bolshevik power.

From time to time the International Labour Office, in *Industrial and Labour Information*, raises the veil on Russia. Some inkling of what seven years of Nationalisation have meant to that unhappy country can be gained from the report of the proceedings of the Trade Union Congress at Moscow last November. Grievances of every sort are rife. Delays of several weeks in the payment of wages are common. Many workers receive from 60 per cent. to 100 per cent. of their wages in the form of credits for goods, not of money. The Commissary of Labour admitted that the wages of metal-workers in Oct., 1924, were 56 per cent. of the pre-war figure, those of textile-workers 91 per cent., of miners 52 per cent., of railwaymen 50 per cent., and of salaried employees and Soviet officials 45 per cent. Of the unemployed only 15 per cent. or 20 per cent. receive unemployment benefit, which does not exceed 60 per cent. of the "minimum budget." The crucial problem, however, is output. Rykov, the head of the Government, said, "the question of output is the primary question which our national economy must settle . . . the maintenance of the dictatorship of the proletariat depends largely on the satisfactory solution of this problem." The railways are very severely embarrassed. In order to keep the coal-mining and oil industries going they burn expensive fuel, though they have abundance of cheap wood. To save the metal industries they order locomotives which they do not require. The Commissariat of Ways and Means is obliged to curtail administrative expenses, and to keep wages down. There is no money for the housing of the railwaymen, many of whom have to live in railway carriages, or even to sleep in stations and sheds. The metal-working industry reflects the acute depression that prevails throughout Russia. The factories are working at no more than 35 per cent. to 40 per cent. of capacity, the causes being the lack of working capital, the impoverishment of the population, the extreme curtailment of requirements, and the absence of any system of credit based on sound economy. The Commissariat of Ways and Means takes six or nine months to pay for deliveries of engines and other plant, and meantime the Metal-working Industry cannot pay its wages. It is no wonder that factories engaged on engine construction turn out only 30-35 per cent. of their pre-war production though they are employing 81,000 workers as against 99,000 in 1913. The textile workers, who also held their congress in Moscow last November, are apparently better off with 91 per cent. of pre-war wages. The wages in

certain branches even exceed the pre-war figure. But the pre-war wages were so low that even now the textile workers earn less than the matchworkers. During the last two years the Textile Union expelled 1066 persons "because of their non-proletarian origin." Throughout these reports the insistent call is for better output. It is on this rock of output that the Russian Revolution seems likely to make shipwreck.

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Other sources give a similar account. According to the *Riga Rundschau* the reports of the Ukrainian trade unions show that the efforts made to revive the coal trade have had to be abandoned, production being reduced to a minimum since the high prices prevent the coal being sold and production cannot be cheapened. Production costs in the sugar industry are treble the pre-war figure, and 65 out of 90 sugar works have had to close down. Agriculture is, of course, in chronic difficulties. Twenty-four per cent. of the farmers are said to own no big cattle and 34 per cent. not even a cow. The failure of Soviet policy in shipping has led to the reorganisation of the Gosbalt (Baltic State Commercial Fleet) and the Dobroflot (Russian Voluntary Commercial Fleet) as a joint-stock company, agreement having been reached at the close of the year between the People's Commissaries for Transport and Foreign Trade and the new Sowntorgflot Company. The *Agence Economique et Financière* gives the following statistics of metals, home-production and imports :

	1913		1923-24
<b>Lead.</b>	Home	84,000 pounds	38,100
"	Imported	3,540,000	600,000
	Total	3,624,000	638,100
<b>Zinc.</b>	Home	644,000	31,400
"	Imported	1,720,000	198,000
	Total	2,364,000	229,400
	1914		1923-24
<b>Nickel.</b>	Imported	260,000	Nil
"	Home	Nil	Nil
	Total	260,000	Nil

These phenomenal falls in consumption speak for themselves.

## DAY BY DAY.

*(A daily Record of the principal events which have a direct bearing upon the maintenance, or otherwise, of peace in industry).*

**Jan.** The Ministry of Labour index figure for January showed the cost of living to be 80 per cent. above that of July, 1914. In 1st. January, 1924, the corresponding figure was 77. Food alone was 3 per cent. dearer than a year ago.

Recorded changes in rates of wages showed an aggregate increase of £29,000 in the weekly full-time wages of 500,000 workpeople and a reduction of £300 in those of nearly 9,000 people.

Sixty-five trade disputes in progress during December involved the idleness of 16,000 workpeople and the loss of 92,000 work-days. During the whole year 1924 about 613,000 people were idle on account of strikes or lock-outs and about 8,312,000 working days were lost.

Employment showed the usual seasonal decline after Christmas. Among insured workpeople 10.9 per cent were unemployed at December 22nd. Trade Union returns showed 9.2 per cent. unemployed at the end of the month and the Employment Exchanges registered 1,319,000 people as seeking work on December 29th.

A comparison of unemployment figures shows a slow but steady improvement since 1921. Among the 11½ million workpeople covered by the Unemployment Insurance Acts the percentage of unemployment was as follows: in 1921, 16; in 1922, 14; in 1923, 11.6; in 1924, 10.5.

Wage rates, which had been falling since 1921, rose during 1924 and 3,000,000 workpeople divided a net increase of £610,000 in weekly full-time wages. About 500,000 shared a decrease of £60,000. The gross increase during the year amounted to £880,000 a week, decreases amounting to £330,500, bringing the net total down to £549,500 a week. Of the gross sum, £400,000 was due to the operation of sliding-scales based on selling prices or on the proceeds of the industry (coal-mining); £115,500 resulted from the operation of cost-of-living sliding scales (this sum includes £9,500 due under scales determined by Trade Boards); £154,000 resulted from agreements between Joint Industrial Councils and other joint bodies of employers and employed; £132,000 was awarded by arbitration or mediation, 58 per cent. of this amount being conceded only after stoppages of work. The remaining £140,000 was secured by direct negotiation between employers and employed, £52,000 of the sum being granted only after stoppage of work.

9th. The Executive of the National Union of Railwaymen has addressed an urgent letter to all railway workers warning them not to enlist in the Supplementary Reserve (Transportation Branch), the recruitment of which the Railway Companies have undertaken to facilitate and assist among their employees. Mr. C. T. Cramp, representing the N.U.R., states that, as he understands the facts, the men, who would be indirectly controlled by their employers, would be liable to be called out in the event of an industrial dispute.

10th. The Scottish Independent Labour Party, by 127 votes to 86 rejected a resolution supported by Mr. James Maxton, M.P., advocating the affiliation of the Communist Party on the same terms as other affiliated bodies.

12th. The Transport and General Workers' Union share the view already expressed by the N.U.R. that the formation of the proposed Supplementary Reserve (Transportation) is a menace to the men as industrial workers. Dockers, bus men and others have been advised by the union not to enlist. The danger the men fear lies in the interpretation of the clause which states that the men will be subject to the provisions of the Reserve Forces Act of 1882 but that "the liability to be called out in aid of the Civil power will not be enforced." Unless this can by any means be over-ridden, the safeguard seems complete and adequate.

The National Minority Movement is holding a "Unity" conference in London on January 25th to which it has invited all the more important labour groups. The General Council of the T.U.C. has ignored the invitation and the Amalgamated Engineering Union has taken the opportunity of warning its members against any association with a body that seeks to usurp the General Council's functions and to disrupt the Labour Movement. The N.U.R. have already expressed this view on a previous occasion. The attitude of the Miners' Federation is not so clear. Mr. A. J. Cook, the secretary of the Federation is to preside at the "Unity" conference and his union must to some extent feel itself involved. In the absence of any expressed statement of the executive's view, the miners must assume that their union's policy favours the growth and work of an organisation formed "to carry on a wide agitation and propaganda for the principles of the revolutionary class struggle . . . to counteract the present tendency towards a false social peace and class collaboration" and "the delusion of a peaceful transition from capitalism to socialism," and whose methods involve maintaining the closest relations with the Red International of Labour Unions.

13th. Miners in Derbyshire soft coal mines handed in their notices to cease work in 14 days unless their demands are meanwhile

satisfied. In 1922 wages in soft coal pits were reduced  $7\frac{1}{2}$  per cent. on the sole ground that the industry was not paying. The men now claim that these pits are in a position to restore the  $7\frac{1}{2}$  per cent. and to refund the amount of the reductions made since 1922. The owners are willing to restore the  $7\frac{1}{2}$  per cent. on condition that a separate wages board be set up for the soft coal pits. The Miners' Federation is opposed to this and negotiations, which have been in progress for some time, have now been broken off.

16th. Engineering wages: A joint conference met to consider the men's claim for a flat rate advance of £1 a week for all workers. Mr. J. T. Brownlie informed the employers that the unions had given careful consideration to the facts and figures submitted but were still convinced that their claims were warranted. The conference was adjourned to give the employers time to consider new facts urged by the trade unions, and the men's leaders confidently anticipate that a substantial proposal will be made at the next meeting.

22nd. Mr. A. J. Cook, Secretary of the Miners' Federation, announces that he will not be able preside at the "Unity" conference to be held on the 25th of this month, but would send a speech to be read. He denied that his relationship with the conference was any concern of the Miners' Federation.

Miners' Agreement: The Miners' Federation agreed to meet the national committee of the Coal Owners' Association next week to hear the owners' views on the serious condition of the industry. A national delegate conference of the Miners' Federation will meet next month to consider district proposals for amendment of the present wages agreement.

The Council of the Italian General Federation of Labour has issued a manifesto calling upon the workers to rally to their unions for the effective defence of their interests. The manifesto deplores the present policy which, it is stated, leaves the workers at the expense of speculators and, through its high protective duties, destroys real productive effort. Their statement that the cost of living grows dearer is supported by the economist, Professor Ernandi, who calculates that since 1922, when the balance between wages and the cost of living had been restored, wages have fallen and prices risen so that there is nearly 100 points difference between the workers' possible standard then and now.

25th. The N.U.R., at its annual conference of District Councils held in London, passed a unanimous resolution of condemnation of the proposed "militarisation of the railways." The resolution declared that the conference was "convinced that the main object is to resist the legitimate demands of the

organised railway workers." Mr. W. Dobbie, the new President of the Union, stated at a mass meeting in Brighton that the Railway Reserve scheme was a form of conscription that would be used by the Government and the Companies against the railway workers in any effort they may make to raise their standard of living or to defend their civil rights, and no guarantee of the Companies or the Government, written or verbal, would alter his opinion or establish confidence in the scheme.

The Scottish Council of the I.L.P. started a "Mines for the Nation" Campaign in Glasgow. Baillie Dollan, the President, claimed to refute Sir Adam Nimmo's statement that mining was a losing industry by the assertion that Sir Adam's main company had paid 196 per cent. in 10 years. Mr. G. Shinwell carried a resolution on the nationalisation of mines, and urged that both the royalties and the mines should be bought not confiscated. Mr. Smillie and Mr. John Robertson, M.P., were opposed to any compensation being paid.

Mr. A. J. Cook, Secretary of the Miners' Federation, speaking at Doncaster, announced that his Federation was about to confer with the railwaymen, the dockers and other industrial organisations, and ask for their support if they approved the miners' case.

Mr. A. Fenner Brockway, National Secretary of the Welsh I.L.P., urged the nationalisation of mines as an urgent remedy for a crying injustice. A resolution was passed congratulating the trade unions on their resistance to the Army Reserve Scheme which was described as an "effort designed to crush the industrial workers during an industrial dispute."

The National Minority Movement held its "unity" conference at Battersea Town Hall. The Trades Union Congress had banned the Conference, and none of the men at present representative of trade union policy were present. Mr. Harry Pallitt, Mr. Tom Mann, and Mr. J. Larkin were the most prominent men on the platform. Mr. A. J. Cook sent a written speech urging toleration amongst members in the Labour Movement and emphasising the necessity for coupling constructive proposals with present declamations against the present system. Mr. Pallitt failed to convince his audience as to the desirability of working-class conditions in Russia. The platform speeches, with the exception of Mr. Cook's, were of the familiar type, the Labour Government and most of the present labour leaders were condemned, and the chief "constructive" proposal was one to "sweep away" the present trade unions and establish in their place an international trade union organisation.

26th. Mining industry: Mr. Evan Williams, President of the Mining Association, and Mr. Herbert Smith, President of the Miners' Federation, deprecated the alarmist speeches and reports published concerning the industry. The extreme language used by some parties on both sides was stated to be misleading and very injurious to the home and foreign interests of the trade. Both Presidents expressed the opinion that negotiations were proceeding amicably. Mr. Smith stated that any attempt to restore the eight-hour day would meet with the bitterest opposition. For the rest, if the Government left the matter to the owners and the men, there would be a general inquiry as to immediate possibilities, but the ultimate goal of the miners was the nationalisation of the mines for the benefit of the nation and the workers.

27th. Office of Works strike: About 1,000 electricians, engineers, fitters, stokers and labourers employed by the Office of Works came out on strike as a protest against the employment of a man who has been expelled from the E.T.U. for non-payment of his subscription. The grievance was to have been referred to-morrow to the Department's Joint Industrial Council, but as the Office refused to suspend the man during the inquiry the men came out unofficially, but the Unions concerned appear to endorse their action.

Engineers' Wages: Mr. Austin Hopkinson, M.P., and himself an engineer employer, made some noteworthy comments on the engineers' demand for a wage increase of £1 a week, which is now under consideration. He gave it as his opinion that the engineers could, if they liked, save the industry by reducing the cost of production and thus making possible an increase in wages. The union policy would destroy the industry but the unions were powerless if the men made up their minds to save it. In his own works he pays almost double the recognised hourly rate, yet in spite of severe American and British competition he can undersell his competitors and make a most satisfactory profit. He believes that to maintain wages at their present level will kill the engineering industry in this country, and that, however grave the risk of even a 10s. rise in weekly wages, it should be taken.

28th. Army Reserve (Transport): The General Council of the T.U.C. have appointed a special Committee to inquire into this question and meanwhile appeal to all trade unionists to refuse service in the proposed force.

29th. Mr. George Lansbury has announced his resignation from the post of General Manager of the *Daily Herald*. He will remain on the Board of Directors. Mr. Lansbury expects to bring out a *Weekly Herald* towards the end of February. The paper will be under Mr. Lansbury's independent control, and



the necessary money is being provided by friends who largely assisted in keeping the *Daily Herald* going before and after the war.

The Electrical Trades Union has tendered seven days' strike notice to the Metropolitan Railway Company. It is alleged that the Company have been dilatory in dealing with a wage claim made last July. The Company, however, state that the claim has been dealt with, but that in respect of two grades they have not conceded the advance because these men are already receiving the maximum.

30th.

Army Reserve (Transport): The Joint Press and Publicity Department of the T.U.C. and Labour Party published a letter in which Mr. Stephen Walsh, M.P., explains the necessity for the Reserve of skilled men, and says that the Army Order contains an explicit guarantee that the liability to be called out in aid of the civil power will not be enforced.

Shipbuilding employers met in conference with various trade unions and discussed proposals for increased wages. The employers stated that no advance could be made in the present state of the industry. The increase given last May had been followed by decreased trade and employment. There are at present an average of 32 per cent. unemployed throughout the industry. The employers invited the men to help them to evolve machinery for ascertaining and sharing the proceeds of the industry on a fair basis, and urged them to improve their conciliation machinery so as to avoid the loss entailed by stoppages of work.













